



# Authorities step in to bolster French franc

BY PAUL BETTS IN PARIS

THE FRENCH monetary authorities intervened yesterday to support the franc against the West German D-mark. The French currency continued to come under pressure as a result of concern over the nine-day-old rail strike and speculation about a new realignment of the European Monetary System after the German elections next month.

The franc was also hit by a decline in the US dollar and a rise in the D-mark.

In thin interbank holiday trading, the franc fell to FF 2.30 to the D-mark in Paris yesterday from FF 2.285 when last quoted last Tuesday. This leaves the franc close to its lower limit in the EMS of FF 3.3003 to the D-mark. It is also the lowest level to which the franc has fallen against the D-mark since the last EMS realignment last April.

French dealers said that the monetary authorities intervened yesterday to support the French currency by selling D-marks, although the amounts were small because of the thinness of the market. They also suggested that the franc was coming under additional pressure because of the widening differential in interest rates between the two countries.

The consumer price differential between France and West Germany has also been widening since last September. Although the latest consumer price figures, published on Christmas Eve, show the annual rate of retail inflation in France held down to 2.1 per cent last month, the differential with West Germany grew to 3.2 per cent at the end of last

# Tokyo looks for 3 1/2% growth in real terms

By Ian Rodger in Tokyo

THE Japanese Government is looking for economic growth of about 3.5 per cent in real terms in the fiscal year to begin on April 1 1987 despite the current sluggishness of the economy.

The forecast, presented by the official Economic Planning Agency (EPA), is significantly out of step with most private sector forecasts which predict growth of less than 3 per cent next year. (The EPA, which had forecast growth of 4 per cent this year, recently admitted that the rate would be nearer 3 per cent.)

It also appears out of step with the Government's budgetary policy. The 1987-88 budget, proposed by the Finance Ministry on Thursday, would virtually freeze general spending next year at ¥54,101bn (€23.0bn).

The austerity budget came only a day after the ruling Liberal Democratic Party had agreed on a tax reform programme that would be neutral in revenue terms next year.

Many analysts, both within and outside the Government, had hoped that tax reform could be implemented in such a way as to provide a stimulus to the economy next year, but that option has apparently been abandoned by the Government.

These decisions have left many wondering from where any stimulus for the economy will come next year.

The EPA said the economy would begin to recover in the second half of next year based on domestic demand.

# Current account surplus up

By Our Tokyo Staff

JAPAN'S current account surplus in November reached \$5.1bn (£5.7bn) due to a steady increase in the value of exports. The surplus was the third largest on record, but was down slightly from the \$5.3bn recorded in October.

But the long-term capital account deficit was \$13.5bn, the second highest ever, as Japanese investors continued to place their surplus funds overseas in search of higher yields than those available in Japan. The net outflow of Japanese capital reached \$1.4bn, and that of foreign capital \$2.4bn.

The visible trade surplus was \$3.5bn, compared with \$3.7bn in October. Exports rose in value to \$16.6bn, 5.1 per cent higher than in November, 1985, while imports plunged 19 per cent to \$8.1bn because of the decline in oil prices. However, in volume terms, exports were down 7.7 per cent while imports gained 7 per cent.

The invisible trade account was \$276m in deficit.

# Paris steps up efforts to free Lebanon hostages

BY PAUL BETTS

THE French Government is pursuing "with tenacity" its efforts to free the remaining five French hostages held in the Lebanon. Mr Jacques Chirac, the conservative Prime Minister, said after the release on Christmas Eve of a French television sound operator held by Muslim extremists in the Lebanon for 292 days.

In spite of the freeing of Mr Aurel Cornea last Wednesday, the French authorities appeared disappointed that the extremists did not free a second hostage for Christmas.

Mr Cornea had been held by the so-called Organisation of Revolutionary Justice movement together with Mr Jean-Louis Normandin, a member of the same Antenne-2 French television team as Mr Cornea.

Two other members of the same television crew kidnapped by the extremists had been freed earlier this year.

Mr Cornea on his return to France said he hoped Mr Nor-

# Sikh shrine taken over by radicals

By K. K. Sharma in New Delhi

SIKH EXTREMISTS tightened their hold this week on their religious community and stepped up pressure on the moderate government of Mr Surjit Singh Barnala, the Chief Minister of Punjab. The result could be more trouble for Prime Minister Rajiv Gandhi.

Two moderate high priests of the holy Golden Temple in Amritsar were replaced by officials known to sympathise with the radicals. The moderates were removed by the supreme committee which manages Sikh temples in Punjab.

Mr Barnala, who ordered police to enter the shrine last April after it had been taken over by extremists for the second time, now faces excommunication and the Golden Temple may be used again by extremists who want an independent homeland for the Sikhs.

Mr Barnala is simultaneously under pressure from his own moderate group to resume negotiations with Mr Gandhi's government to carry out the peace accord on Punjab signed in September, 1985. None of the agreement's clauses has been implemented.

The pressure on Mr Barnala from both the radicals and the moderates has been viewed with serious concern by the central government which fears more violence in Punjab, where terrorist activity continues unchecked.

Mr Gandhi's Home Minister, Mr B. J. Singh, flew to Punjab yesterday for talks with Mr Barnala and is expected to return to New Delhi today.

The central government is also worried by the renewed violence by extremists in the remote northeastern state of Tripura, where a Marxist government is in power. In three separate attacks, members of the Tribal National Volunteers have killed 24 non-tribals this week, despite the deployment of large contingents of security forces.

# Licensing of journalists 'a threat to freedom'

BY RAYMOND SNOODY

A TREND towards the licensing of journalists in both established democracies and developing countries is a threat to freedom of expression, the International Press Institute says in its annual World Press Freedom Review.

Some journalists see licensing, for which higher educational qualifications are often a prerequisite, as a good way of raising professional standards. But the Swiss-based institute argues: "The result of such a system is a restricted number of people who can practice freedom of expression, a right which cannot be extended to just a privileged few."

Many of the world's great journalists did not graduate from journalism schools, the institute argues. Journalism, it adds, should be open to both amateurs and professionals.

"The licensing of journalists is just one play to erode free-

# Singer who hymns human side of the Lebanon

Andrew Gowers reports on a star whose voice knows no boundaries

PARLIAMENT SQUARE on a bracing December evening: a dark-eyed, spectral figure sings Christmas carols in a church; the strife-torn streets of Beirut and the scorched passions of the Middle East seem part of another world.

Yet the singer is mellow-voiced Fairuz from the Lebanon, by far the most popular musical star in the Middle East. She has been in London this week for two unusual concerts incorporating an odd and slightly uncomfortable mixture of Arabic, Syrian and English carols—together with a negro spiritual and even an Arabic version of "Jingle Bells."

Although she has performed in Britain before—notably at a packed Festival Hall earlier this year—it was the first time she had sung in English and the first time she had sung in a church outside Lebanon.

Fairuz has a problem, of which her London performances are a vivid illustration. Where-

# Iran claims 3,000 Iraqis killed

BY OUR MIDDLE EAST STAFF

IRAN CLAIMED it killed 3,000 Iraqi troops in an assault on southern Iraq which Baghdad said was repulsed after two days of fierce fighting.

Both sides issued conflicting reports yesterday about the battle around four islands in the strategically important Shatt al-Arab waterway.

Tehran Radio claimed that hundreds of Iraqi tanks and armoured cars were destroyed in the assault launched late on Wednesday.

The Iraqi high command said the Iraqis had been driven off the island of Umm al-Rassas which they had occupied at the beginning of the offensive.

President Ali Khamenei, speaking at Tehran's mass Friday prayer meeting, described the operation as "small and limited."

A spokesman for Tehran's War Information Headquarters, quoted by the national news agency Iran, said Iranian forces had returned to base after "achieving their objectives."

He described as "pure fabrication" reports from Baghdad that Iranian forces initially occupied Iraqi territory on the

west banks of the Shatt al-Arab and other areas. The waterway forms the southern boundary between the warring nations.

Baghdad said its troops had retaken Umm al-Rassas and achieved victory over an invasion force after two days of fierce fighting. It reported thousands of Iranian casualties.

The commander of Iraq's Seventh Army Corps, Lieut Gen Maher abd al-Rassid, said the Iraqis had attacked their front

with six divisions and six brigades of Revolutionary Guards. Nothing had been left of them but prisoners.

"Fighting over the past two days went... from one inch of land to another while the ground was exploding under their feet," the general said.

Umm al-Rassas is about 100 yards from the Iraqi side of the waterway, near the Iranian twin cities of Abadan and Khorramshah.

Thousands of casualties were reported in the battle, described by President Khamenei as a "small and limited" Iranian operation in partial response to Iraqi air raids on Iranian cities.

Tehran Radio said the Iranian leaders are waiting for the right political moment to order a "decisive" military move in the six-year-long war.

Diplomats in the region say Iran has massed up to 600,000 men for an assault in the south, possibly using the captured Iraqi port of Faw as one springboard. Iran took the disputed oil port last February after crossing the Shatt al-Arab.

# YOUTH MOVEMENT 'OUT OF TOUCH' WITH MEMBERS

# Moscow chief attacks Komsomol

BY PATRICK COCKBURN IN MOSCOW

MR BORIS YELTSIN, the radical Communist Party leader for Moscow City, has strongly attacked the Komsomol youth wing of the Soviet Communist Party for being "completely out of touch" with its 42m-strong membership in the strongest criticism yet of the way the ruling party exercises power.

The Moscow leader, who is a non-voting member of the ruling Politburo, said on Soviet television that Komsomol, to which most Soviet citizens between the ages of 14 and 28 belong, is completely undemocratic, out of touch with youth and had failed to introduce changes proposed by Mr Mikhail Gorbachev, the Soviet leader, earlier this year.

The criticism by such a senior member of the party underlines the emphasis being placed in recent months by Mr Gorbachev and radical members of the Politburo on political change as a precondition for economic reform.



Mr Boris Yeltsin... 'No change: no movement at all'

that the none girl at the conference wanted to address the meeting, she was taken aside by the local party secretary who said: "Let's do some work on your speech."

As a result of the words and the ideas in the speech, "99 per cent belong to the secretary of the party committee, and just a word or two—'hullo' and 'goodbye'—belong to her."

When walking around the workers' hostel attached to the ZIL plant, Mr Yeltsin said he had asked workers what changes they thought there had been since the last congress of the Soviet Communist Party in February, which introduced reforms. "In their view, there was zero change," he said. "No movement at all."

The Soviet leadership has been particularly concerned about the alienation of youth during Mr Leonid Brezhnev's years in power between 1961 and 1982, appointing Mr Vladimir Mironov as the new head of Komsomol last July.

Nevertheless, Mr Yeltsin said

# Turkey bans trade union group

BY DAVID BARCHARD IN ANKARA

THE TRIAL of 1,479 left-wing Turkish trade unionists, arrested after the military took power in 1980, has ended with the banning of the trade union confederation concerned, DISK, and jail sentences of up to 10 years for 264 of the defendants, including the confederation's president, Mr Abdullah Basturk.

Mr Basturk and the main leaders of DISK have spent several years in prison and were facing a possible death sentence.

The trial, carried out by a martial law tribunal, led to protests by trade union movements and politicians in Europe and North America who pressed their governments to take measures against Turkey.

Allegations that several of the DISK leaders were tortured were made on a number of occasions but never satisfactorily investigated.

DISK, the confederation of revolutionary trade unions, was a militant socialist labour movement with a Marxist wing. It operated chiefly in private-sector industries, where it was noted for the number of strikes it caused.

However, no convincing evidence of its involvement in violence, let alone of a plot to overthrow the state, was produced by the prosecution.

The trial has been a major embarrassment to the Turkish Government in its efforts to convince the Council of Europe, the European Confederation of Trade Unions and the European Parliament that it has returned

# Italy hails inflation rate fall

BY ALAN FRIEDMAN IN MILAN

ITALY'S Prime Minister, Bettino Craxi, and other politicians were this week hailing year-end figures which showed the Italian inflation rate dropping to 4.2 per cent in December, and a much improved balance of payments result for last month.

In a series of Christmas Eve pronouncements, Mr Craxi and others said the figures showed that the Italian economy was continuing its upturn. The Prime Minister repeated his conviction that a 3.5 per cent economic growth rate was obtainable in the New Year.

According to Istat, the Government statistical office, the inflation rate in December was down by 0.5 per cent to 4.2 per cent, resulting in a 1986 average inflation level of 6.1 per cent, against a Government target of 6 per cent.

The balance of payments for November showed a L422bn (€245m) surplus, compared with a L1,931bn deficit for November of last year.

Mr Aureliano Chaves, the Mines and Energy Minister, has announced that loans of US\$122m from the Inter-American Development Bank and a second tranche of US\$250m from the World Bank are expected to be granted imminently for the construction of new electricity transmission lines.

# Brazil inches back to indexation

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL'S GOVERNMENT has linked interest rates to the monthly consumer price inflation rate once again in a "temporary" attempt to boost national savings.

The decision, taken just before Christmas, removes one of the pillars of last February's anti-inflationary Cruzado plan, aimed at ending indexation of the economy.

Efforts earlier this month to lower fast-rising interest rates by offering hatched indexation when deposits reached maturity dates have proved inadequate. Last week, rates on

# France trade pessimism

BY ALAN FRIEDMAN IN PARIS

FRANCE'S 1986 industrial trade balance is expected to be the worst in 17 years with its trade surplus showing a continued slide across the board, the private Observatoire Francais des Conjonctures Economiques, said, Reuter reports from Paris.

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# Argentine agriculture minister resigns

By Tim Cooney in Buenos Aires

ARGENTINA'S Agriculture and Fisheries Minister, Mr Lucia Reca, resigned on Christmas Eve, along with all his close aides and heads of departments in the Ministry.

The heads of the National Grain Board and the National Meat Board have also offered their resignations.

Mr Reca is to be replaced by a political appointee, Mr Ernesto Figueras, at present head of the Agriculture and Livestock Commission in the Argentinean Congress.

The development is thought to be due to a forthcoming abrupt change in the Government's agriculture policy aimed at winning rural support for the Government in the crucial mid-term elections in 1987.

The Government's economic policy over the past three years has drawn sharp criticism from the agricultural sector.

In the mid-term elections next year, the important governorships of the country's 23 provinces and half the 254 seats in the Chamber of Deputies will be contested.

# Argentine bill storm erupts

AN ARGENTINIAN Government-sponsored bill to end trials of military and police officials accused of human rights abuses during the 1976-83 military regime, was finally approved by congress only hours before the Christmas recess, Tim Cooney reports.

The Bill took ten days to pass both Houses, a record for any piece of legislation in the three years of President Raul Alfonsin's Government.

The new law places a 60-day limit to begin trial proceedings against an estimated 900 police and military officials. This means that only a small number of cases will be brought before the courts. Party members have called for an explanation.

In neighbouring Uruguay, controversy continues over legislative approval this week of a total amnesty for all military and police officials accused of similar charges during the 1973-85 military Government there. A recent opinion poll showed 70 per cent of Uruguay's population—against—the amnesty.

# China army shake-up

China reorganised its land forces this year, nearly halved the general staff, and cut the 4.2m People's Liberation Army (PLA) by 410,000 out of a planned 1m reduction, the New China News Agency said yesterday, Reuter reports from Peking.

The cuts were announced at a meeting of the Communist Party's Central Military Commission in Peking chaired by Deng Xiaoping.

Deng told the meeting China's army officers were now "really younger."

# S. African killings

Two people were killed and three injured in clashes between rival radicals and moderates in two South African black townships, the Government Bureau for Information said, Reuter reports from Johannesburg.

Two black men were killed and two injured in a skirmish in Sakhile near Johannesburg. A 16-year-old girl was wounded when radicals fired at moderates in Chesterville near Durban, the bureau added.

# Madrid hotel bomb

Suspected Basque guerrillas set off a powerful bomb in a French-owned hotel in Madrid, blowing a large hole in the facade but causing no injuries, police said yesterday, Reuter reports from Madrid.

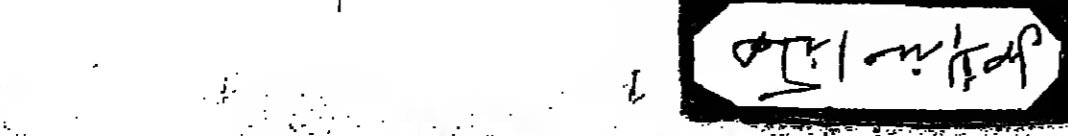
The bomb went off in a room on the third floor of the 240-room Novotel 10 minutes after a caller claiming to speak for the separatist organisation ETA, warned that several bombs had been planted.

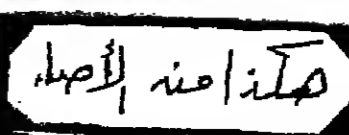
# Somalia votes 'yes'

President Mohamed Siad Barre, Somalia's ruler since a 1969 military coup, won a new seven-year term with more than 99.9 per cent of the votes, the state radio said yesterday, AP reports from Nairobi.

Radio Mogadishu said Siad Barre received 4,857,592 "yes" votes, while 1,486 people voted "no."

A FINANCIAL TIMES SURVEY SMALL BUSINESSES The Financial Times proposes to publish a Survey on the above on Monday March 2 1987. For further details, please contact: ANDREW WOOD on 01-248 5116 FINANCIAL TIMES Europe's Business Newspaper





# Insurers spend £90m more on shopping centres

BY PAUL CHESTER, PROPERTY CORRESPONDENT

GUARDIAN Royal Exchange and Pearl Assurance plan to spend a further £90m on retail shopping developments, on average the highest-yielding form of commercial property investment for insurance groups.

Their moves, allied to purchases and deals just announced by commercial developers, highlight the drive into retail property not only for controversial out-of-town centres but also for city-centre.

GRE announced that it had won planning consent for a 150,000 sq ft centre at Putney in south-west London that would have a value of £35m. It also disclosed that, in the west of England, North Devon District Council had decided to make compulsory purchase orders so that the insurance group could assemble the necessary properties to go ahead with a £25m scheme for a 100,000 sq ft shopping centre in Barnstaple.

Pearl Assurance has signed contracts to provide £30m of the funding for Heron Property's £25,000 sq ft centre at Walthamstow in east London. Heron has already spent £9m on the scheme and leases on most

# Halifax spearheads the fight against northern decline

Ian Hamilton Fazey reports on an initiative designed to rejuvenate a community's economy

MR STEPHEN O'BRIEN, chief executive of Business in the Community, is taking an unusual three-week holiday. Not for him the Alpine ski slopes or a flight to the sun. Instead he has opted for a busman's holiday in a cottage in the Yorkshire Pennines.

Mr O'Brien will be setting to know the borough of Halifax — particularly of Calderdale — where 92,000 of Calderdale's 102,000 people live.

The metropolitan borough is the fifth smallest in England and Wales by population, but the sixth-largest by area.

Halifax — famous for Crossley carpets and the eponymous building society — is hemmed in by moorland hills. The rest of the borough comprises a few smaller communities scattered over thousands of acres, where sheep are the most obvious form of life.

The town is to spearhead a scheme launched by Prince Charles, who named it as the site of Britain's first "one-town partnership," a process where the whole community — public and private sectors, voluntary organisations and the ordinary citizens — will set together to try to regenerate the local economy.

Unanimity appears to be the starting point. The day after Prince Charles announced the experiment, all interested parties met to discuss how best to proceed. A steering group will draw up a strategy document over the next two months.

Mr O'Brien says there was a good response from the political parties. They all said that the project was too important to be replicated quickly elsewhere.



Dean Clough Industrial Park: a business community in its own right

By taking his holiday in Halifax, Mr O'Brien will ensure that, for him, the town will not be merely a place on the map in BIC's London headquarters.

Halifax was chosen because it has already developed all the components expected to make the model work.

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60 per cent of the space is occupied. There are more than 160 tenants, 1,200 people work there, car parks are full and everywhere there is bustle. New premises are being partitioned in the remaining empty space.

The mixture of businesses ranges from a Sun Alliance computer software subsidiary to an architect. Dean Clough is also home for the chamber of commerce, the local enterprise agency and an innovation centre. It is a business community in its own right.

But the industrial park is not the only reason for choosing Halifax for the regenerative experiment. It is a manifestation of the attitudes and atmosphere in the town, which show an urge to break out of the unemployment spiral.

At 12.7 per cent this is below the national average, whereas the rate was once above it. But unemployment used to be under 2 per cent and there is a drive to get back to that figure.

Mr Michael Ellison, the borough's chief executive, said: "We have demonstrated already the extent to which we are willing and able to work with the private sector, and the private sector has shown its willingness to work with us."

The largest elements in the private sector are the Halifax Building Society and Rowntree Mackintosh. The director of the local enterprise agency is from Rowntree while the Halifax—a founder subscriber to BIC—gives secondments to community projects.

The society has kept its head office in the town despite being one of Britain's most important financial institutions. Mr Maurice Fryer, divisional general manager responsible for HQ, outlines some of the benefits for the town—1,200 employees and 800,000 letters posted each day, increasing jobs in the local post office.

Mr Fryer believes the society's main contribution to community projects is expertise. But Mr O'Brien, Mr Ellison and Mr Hall all think that senior executives living within the community in which they operate are more concerned about the town's general economic health.

Apart from Rowntree's record for community support, self-interest also plays its part for organisations like the Halifax. The better the general economic health, the more home owners there are, leading to more business for building societies.

The strategy document for the one-town partnership would, Mr Ellison says, embrace the town's "inheritance project" in which its splendid Victorian architecture has been cleaned, restored and is being copied by modern shop owners, and also UK 2000, the national environmental improvement scheme led by Virgo's Mr Richard Branson, and of which Mr Hall is vice-chairman.

But anyone used to the struggle against northern decline will view the document as almost a formality. Halifax's regeneration has already begun.

# C. E. Heath's chairman to resign next week

FINANCIAL TIMES REPORTER

MR DEREK NEWTON is to resign next week as chairman of C. E. Heath, the troubled insurance broking firm, the company announced on Wednesday.

He will be succeeded on January 1 by Mr Richard Fielding, who became chief executive of the company after its merger with Fielding Insurance last month.

Mr Newton, who has worked for Heath for nearly 30 years, said on Wednesday that "with the recent management restructuring, I believe that shareholders' interests are best served by my making room for the new management."

In recent months C. E. Heath has suffered a series of staff losses, the most serious ten days ago when 24 senior staff left to join Citicorp Insurance Brokers.

C. E. Heath also defended a hostile takeover bid from PWS Holdings before succumbing to a friendly approach from Fielding, the management of which has assumed the dominant role in the newly merged firm.

# Thorn EMI to set up direct-mail marketing company aimed at rental customers

THORN EMI, the UK consumer electronics group, is to establish a direct-mail marketing company which will offer goods to customers of its large rental business in the high street, writes David Thomas.

In order to achieve this, it may also acquire an existing direct-mail company.

Thorn EMI intends to use its direct-mail operations as a means to offer goods made by other companies to its customers. This is an unusual move for a high street business, though many large multiples now advertise their own goods by direct-mail to their customers.

Thorn EMI's initiative is likely to enhance further the growth of direct mail. This is already the most rapidly expanding form of advertising in the country, and is already worth more than expenditure on posters, radio and cinema put together, according to Post Office figures.

Thorn EMI's decision stems from a re-assessment during the past 12 months of the potential of its high street rental operations, which have 3.5m customers at chains such as Radio Rentals and DER.

Mr John Barnes, managing director of the company's rental and retail operations, said Thorn EMI had not realised until recently the marketing potential of this customer base.

"We have their names and addresses, demographic and other details about them, and our staff call on them in their homes," he said.

"Knowledge like this about 3.5m customers is a tremendous asset," Mr Barnes added.

Among the things which Thorn-EMI is thinking of selling by direct mail are white goods and financial services.

"We know that people replace their fridges every seven years on average, so we could directly market fridges which we sell in Rumbelows [Thorn-EMI's retail chain]," Mr Barnes said.

Thorn-EMI is also looking for deals with other companies in order to sell their goods by direct mail to its customers.

Thorn-EMI has already recruited some people from direct marketing companies and is hoping to launch its own direct mail operations next year.

Mr Barnes said that, once Thorn-EMI's direct-mail team had been set up, "I would expect them to come back with an acquisition proposal."

Market research conducted by Thorn-EMI suggests that there are more people in the higher socio-economic groups who rent goods than had been realised. The company believes such people could be an important target for direct marketing.

However, Thorn-EMI is sensitive to the need not to bombard customers with unwanted mail.

Argentine agricultural ministers resign

China army

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Kevin Brown assesses the progress—expected to accelerate soon—of the privatisation of NBC's subsidiaries

# Bigger round of bus company sales expected next year

MR RODNEY LUND, chairman of the National Bus Company, would be the last person to deny that the privatisation of Britain's biggest bus undertaking has had a slow start.

Only 12 of the subsidiaries have been sold in the first 10 months of the programme, and there has been widespread muttering of "told you so" in the City.

The speed has quickened in recent weeks, however, and all the indications are that Mr Lund is preparing to move rapidly into top gear.

Mr Lund leads 120 staff at NBC's headquarters, in London, whose sole purpose is to negotiate themselves out of a job. It could easily be a soul-destroying operation.

Most of the staff, though, will move into jobs with privatised subsidiaries. Mr Lund, at least, approaches his salesman's task with obvious relish.

He was brought from the board of Woolworth Holdings after Mr Robert Brook, the previous chairman of NBC, had quit in protest at the Government's insistence on selling the company piecemeal.

Mr Brook, now hatching plans for a big minibus operation in Manchester, made no secret of his disappointment when Mr Nicholas Ridley, former Transport Secretary, turned down his

plans for a management buy-out of the whole company.

This was a brave move by Mr Ridley in that the price tag for an entire NBC would have been between £200m and £250m.

Analysts estimate the likely return to the Treasury from the separate sales of the subsidiaries at about £100m. So Mr Ridley's enthusiasm for competition may cost the taxpayer up to £150m.

NBC reported a net loss of £33.1m last year, compared with a profit of £22.1m in 1984, as a result of what Mr Lund called "setting out the stall for privatisation".

This took the form of a series of extraordinary charges, totalling £102.7m, to cover tax and pension liabilities and closure costs.

The net assets of the company were then about £155m, but the introduction of bus deregulation in October required this to be written down to about £100m because of the impact on the value of buses and property.

Mr Lund will not comment on the final amount he expects to band over to the Government, except to say that it will be more than the taxpayers' original investment of £97m at the time of nationalisation in 1969, "with a decent surplus on top".

The chairman also refuses to comment on the effect on the sale price of deregulation, which exposes NBC's subsidiaries to potential competition from virtually anyone who wants to set up a bus service.

He warned in the 1986 annual report, however, that NBC managers would not hesitate to complain about unfair competition—both to the Government and the European Community's competition agencies.

It is this aspect of the sale of NBC which has been most criticised, on the grounds that investors are being asked to buy companies which are being exposed to a dramatic but unquantifiable change in market conditions.

There is little doubt that this has been partly responsible for the fact that eight of the first 12 NBC subsidiaries to be sold went to local management buy-outs.

Mr Lund concedes that the 1985 Transport Act, which paved the way for the privatisation of NBC, gives managements an "inside track" by providing for a 5 per cent discount against outside bids.

He rejects, however, suggestions that the requirement in the act that manager be given a "reasonable opportunity" to acquire a controlling interest

has been interpreted so liberally as to give them an unfair advantage.

"All the outside bidders would say that we have behaved totally properly," he says.

In fact, there were only three outside bids for the first nine companies sold, largely because local managers' detailed know-

ledge of the businesses enabled them to be quicker off the mark.

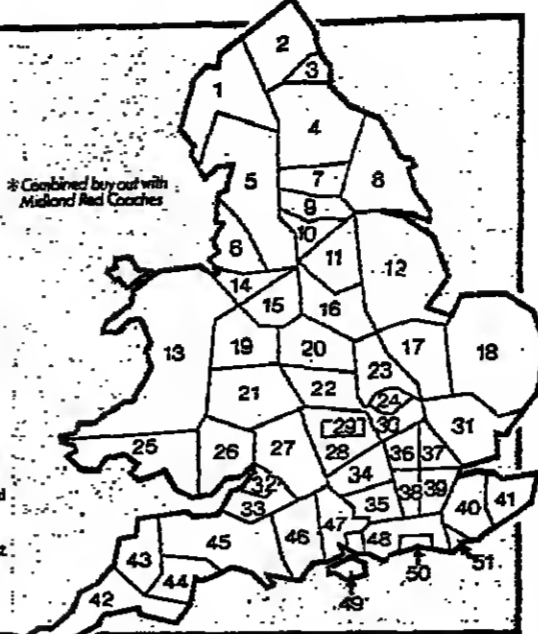
Mr Lund says the extent of outside interest is gathering pace as the sales proceed, however, and forecasts that half the companies will eventually go to buyers other than their managers.

In the meantime, he says the

## National Bus Company

National Holidays—sold to Plesurama Group

- 15 PMR Poteries Motor Transport—management buy-out
- 17 Carlos—management buy-out
- 27 Chetwesham and Gloucester—management buy-out
- 28 South Midland—management buy-out
- 31 Eastern National—management buy-out
- 33 Badgerline—management buy-out
- 40 Meissons and District—management buy-out
- 44 Devon General—management buy-out
- 45 Southern Vectis—management buy-out



- 1 Camerland
- 2 United North
- 3 Northern
- 4 United South
- 5 Solihull
- 6 Shropshire South
- 7 West Yorkshire
- 8 East Yorkshire
- 9 West Riding
- 10 Yorkshire Tractor
- 11 East Midlands
- 12 Lancashire
- 13 Crossville Wales
- 14 Cranville
- 15 Trent
- 16 Eastern Counties
- 18 Midland Red North
- 19 Midland Red West
- 20 Midland Red South
- 21 United Counties
- 22 Milton Keynes City Bus
- 23 South Wales
- 24 National Welsh
- 25 Oxford
- 26 Luton and District
- 27 Bristol City
- 28 Alder Valley North
- 29 Alder Valley South
- 30 London Country
- 31 NW
- 32 NE
- 33 SW
- 34 SE
- 35 East Kent
- 36 Western National
- 37 North Devon
- 38 Southern National
- 39 Wilt and Dorset
- 40 Hampshire Provincial
- 41 Southdown
- 42 Brighton and Hove
- 43 Hastings and District
- 44 East Kent
- 45 Alder Valley North
- 46 Alder Valley South

has been interpreted so liberally as to give them an unfair advantage.

"All the outside bidders would say that we have behaved totally properly," he says.

In fact, there were only three outside bids for the first nine companies sold, largely because local managers' detailed know-

ledge of the businesses enabled them to be quicker off the mark.

Mr Lund says the extent of outside interest is gathering pace as the sales proceed, however, and forecasts that half the companies will eventually go to buyers other than their managers.

In the meantime, he says the

privatisation is going "absolutely to plan".

The slow start to the programme is explained by the difficulty of re-allocating group liabilities for pensions and taxes, the treatment of bus leases, property holdings and so on.

The experience of drawing up articles for the first few com-

panies sold will pay dividends in cutting the negotiating time on future sales.

One of the difficulties has been in the treatment of the assets of the subsidiaries, many of which are worth substantially more as potential sites for redevelopment than as bus stations and maintenance workshops.

The Transport Act gives NBC responsibility to sell the companies in a way likely to promote competition, and not provide quick profits from redevelopment.

This has required novel thinking in the treatment of assets, which in the case of one company have a redevelopment value of £4m and a continued use value of only £1m.

The solution has been to impose a mortgage charge, which will require buyers to pay the full redevelopment value to the Government on top of the purchase price if the assets are removed from the company later.

Mr Lund says this provision would be worth an extra £25m to the Government if all the buyers were to indulge in asset stripping.

The Government's eagerness to complete the sale of NBC is indicated by the speed with which Mr John Moore, Transport Secretary, is dealing with

requests for approval for sales.

This is believed to have taken several weeks at the beginning of the privatisation programme, but now takes a matter of days.

Mr Lund says the Transport Department is being "totally co-operative — they don't hold things up at all."

So far, Mr More has had to deal only with a series of small companies, important to their passengers, but hardly known outside their own areas.

National Express is expected to be sold in the spring, however, and disposal of the country's leading coach network will attract more public notice than earlier sales.

Also, there are suggestions that NBC's eight engineering subsidiaries may be sold as a group, which would create a sizable maintenance and repair undertaking.

Mr Lund is under instructions from the Government to dispose of all 70 subsidiaries by January 1989. He confidently expects that the programme will be completed by the end of 1987, which means a flood of sales in the next few months.

The road to commercial independence for Britain's state-owned buses has had many twists and turns, but accidents apart, it seems likely that NBC is entering the final straight.

## Ford energy drive cuts costs

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD has cut its European energy bill by 27 per cent to £113m since 1977. More than 40 per cent of the saving is accounted for by British plants.

The group has invested £7m in energy management programmes over the past five years and has increased to 14 the number of computer-controlled systems in operation. These save £3.3m a year.

Since 1977, when energy-saving activities were intensified, Ford has concentrated on modernising or modifying its boiler equipment.

Boiler firing equipment at the Halewood, Southampton and Swansea plants has been converted to natural gas or oil dual firing, which permits use of the most economically priced fuel

within contractual commitments.

At the Dagenham plant in the UK, a coal-burning plant is now used.

Mr Philip Page, manager of energy planning and conservation at Ford of Europe, says: "While we welcome the fall in the price of oil and gas energy, the dramatic change in September 1985 in oil prices had a destabilising effect on energy saving."

"We are, however, continuing to take energy saving seriously as a priority within the company and as an effective way of improving our overall efficiency."

Mr Page says overall Ford's energy savings have been achieved by "good housekeeping"—the use of cost-effective

insulation, reduction of air change resulting from new or modified processes, and the installation of additional controls.

"Although we have never been inefficient, our record in Europe over the past nine years has been one of steadily maintained improvement."

Energy management systems have been installed in the British plants of Halewood, Dagenham, Southampton, Bridgend, Langley and Basildon, and in the West German plants of Niehl, Saarlouis and Duren, the Genk plant in Belgium and in Spain's Valencia plant.

Three further systems are being evaluated and one is under construction.

## Blast pollution threat lifted

Financial Times Reporter

A POLLUTION threat to the Bristol Channel has been lifted after a power station explosion led to 8,000 gallons of light oil being leaked.

A transformer containing about 15,000 gallons of oil blew at Aberthaw power station, near Barry, south Wales, on Christmas Day.

Staff mixed the oil with detergent as it escaped and yesterday coastguards and the Welsh Water Authority found no traces of pollution.

The transformer, which takes electricity created at the coal-fired station to the national grid, has been stopped.

An inquiry has been set up to determine the cause of the blast.

## Plan for electron-beam welder

BY DAVID FISHLOCK, SCIENCE EDITOR

A CAMBRIDGE research centre plans to build what it claims will be the world's most powerful electron-beam welding facility, costing £3.5m, under the EEC's Eureka technology programme.

The 150 kw electron gun will be capable of seam welding ship's plates between and 100 times faster than arc welding, the Welding Institute claims.

The institute heads a consortium of European companies which has received backing under the Eureka programme. British participants include Babcock Power, which wants to use the technology and to market the facilities.

Mr Bevan Braithwaite, managing director of the Welding Institute, said he hoped the project would be working in

less than three years. The aim is to demonstrate electron-beam welding at power densities high enough to avoid the need for a vacuum chamber, which would hamper large-scale use of the technique in, say, shipbuilding or boiler-making.

The Welding Institute will develop the electron gun, the heart of the process, which is twice as powerful as any gun yet demonstrated.

"There's no doubt that the institute leads the world in electron-gun technology," Mr Braithwaite claimed.

Welding operators will have to be shielded from the intense secondary X-rays by concrete walls at least 1 metre thick. A concrete blockhouse, 9 metres long, 6 metres wide and

6 metres tall, will shroud the welding system, with operators controlling the process remotely, using video cameras and radiation-proof windows.

British engineering companies dominate the consortium, they include Vickers Shipbuilding and Engineering, GEC, WEI and the Central Electricity Generating Board.

The consortium also includes International Electronics of Spain, supplying the power system; the Swedish Nuclear Fuel and Waste Company, as a prospective user for the disposal of highly radioactive nuclear waste; and the Institute Nationale Polytechnique of France.

Governments will meet 50 per cent of the cost in proportion to national participation in the project.

## ECONOMIC DIARY

MONDAY: Department of Energy publishes energy trends for October.

TUESDAY: Saudi Arabia announces its budget for the new fiscal year.

WEDNESDAY: Bank of England issues statistics for London sterling certificates of deposit (November); UK banks' assets and liabilities and the money stock (November); details of new vehicle registrations for November from Department of Transport.

FRIDAY: Department of Trade and Industry publishes details of sales and orders in the engineering industries in September and third-quarter final figures for finished steel consumption and stock changes.

### The great idea for business travellers since the reclining seat.

Nowadays, with a little practice, you can enjoy a pretty good night's sleep at 30,000 ft. But it's no fun waking up to a dreary queue at baggage reclaim. The FT's ingenious Valet Bag will speed you through the green channel. With plenty of room for shirts, shoes and everything else you need for a short business trip, the Valet Bag fits neatly over your briefcase to make a one piece, carry-on luggage item. Made for the Financial Times especially by the Leather Studio of London, the Valet Bag comes in a hard-wearing, scuff-resistant easy-care black simulated leather. At only £49.50 (inc. VAT and P&P) the Valet Bag is probably one of the happiest investments you'll ever make. You'll rejoice in its sheer practicality for years to come. Order now, sending the attached form, and enclosing payment, to: Customer Service Department, FREEPOST, Financial Times Business Information, Minster House, Arthur Street, London EC4A 4DT, England.

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Cardholder's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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- FT Factmaster personal organiser/time management system
- Bulk discounts

Name: \_\_\_\_\_ Company: \_\_\_\_\_ Address: \_\_\_\_\_ Postcode: \_\_\_\_\_ Position: \_\_\_\_\_ Telephone: \_\_\_\_\_

Handwritten signature or initials.

Sumitomo to market cranes in Europe

Sumitomo, the diversified Japanese trading and manufacturing group, is launching its cranes and construction equipment in the European market.

Call for full disclosure of life assurance commission

FINANCIAL TIMES REPORTER

THE CONSUMERS' Association called again today for full disclosure of the commission paid on life assurance policies and unit trusts, insisting that this would be in the best interests of investors.

Christmas day money spinner for record shop

By David Brindle

TOWER RECORDS, the US-based record retail chain, took more than £10,000 at the tills of its shop in Piccadilly, central London, when it opened for business as usual on Christmas Day.

Eaton employees 'keen on US share option scheme'

By Philip Bassett, Labour Editor

EATON, the UK subsidiary of the US multinational, is claiming a high response rate from its employees to its share option scheme.

Election test after MP's death

By Tom Lynch

THE DEATH on Christmas Eve of Mr Guy Barnett, the Labour MP for Greenwich, will provide a new year-by-election test of the popularity of the political parties.

Civil servants' request for paternity leave rejected

By David Brindle, Labour Correspondent

THE TREASURY has rejected a claim for paid paternity leave for civil servants, arguing that it would be too costly and that most employers did not provide it.

Changes in redundancy examined

By Our Labour Editor

RECENT redundancies in industry have shown a decline in the tradition of "last in, first out," according to a study by the Advisory Conciliation and Arbitration Service.

Pit deputies' overtime ban may lead to wider dispute

FINANCIAL TIMES REPORTER

AN OVERTIME ban by pit deputies in the Yorkshire coalfield threatens to develop into a bigger dispute over whether the deputies are withdrawing their labour.

Review calls for changes in hospital catering

THE CREATION of a "hotel manager" has been proposed for the first independent review of hospital catering in England.

Bosch equipment to be made in Britain

By David Thomas

MOBILE COMMUNICATIONS equipment from Robert Bosch, the West German electronics and vehicle components group, is to be made under licence in the UK.

Insulation grant cuts criticised

By David Thomas

THE Government's action in cutting the home insulation grant for 1987-88 by more than 40 per cent has been described as "unjustified and totally hypocritical" by Eurisol.

Review of Hospital Catering... King's Fund... London NW1 4LB. £2.50.

BASE LENDING RATES table with columns for bank names and interest rates.

APPOINTMENTS

New chairman for Alexon Group

Mr Keith Leathers has joined FINANCIAL PRINT & COMMUNICATIONS as financial director. He was finance director of the printing division of SUFFS/Lonbro and of Greenaway Harrison.

Use of charity plan urged

By Our Labour Staff

MEMBERS of the GMBU general workers' union are to be urged to use the Government's tax-free payroll charity donation scheme to support third world projects.

NOTICE TO LOMBARD DEPOSITORS

Table with interest rates for Lombard North Central, including 14 Days Notice and Cheque Savings Accounts.

UK'S LARGEST EVER FUR SALE

Advertisement for fur sale at LONDONDERRY HOTEL, featuring a 'FREE FUR JACKETS ON EVERY SALE OVER £499' offer and a 'UNIQUE OFFER' of fully stranded female mink coats.

Advertisement for 'FORCED DISPOSAL SALE' by Her Majesty's Customs & Excise, featuring Persian and Oriental Rugs and Carpets, with a 'SALE NOW ON' banner and a list of items for sale.

Advertisement for 'The London Motor Conference - Manufacturing, Components and the Aftermarket', scheduled for London, 17 February 1987.

Lombard North Central, 17 Bruton St, London W1A 3DH.

London, 17 February 1987

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Vertical text on the left edge of the page, including 'next year', 'elder', 'Times Daily', and 'sh is just beginning'.





# UK COMPANY NEWS

## Tug-of-war over L & C Advertising reaches stand-off

**BY CLAY HARRIS**

THE TUG-OF-WAR over the future of Britain's largest roadside poster contractor appears to have reached a stand-off.

London and Continental Advertising Holdings is caught between two rival suitors with large shareholdings. Neither is keen to make way for the other.

A full bid for MAL, the financial services and advertising group, values LCAH at nearly £35.5m. MAL's 28.2 per cent stake is outweighed, however, by the 29.9 per cent held by Piccadilly House, an Australian-linked investment group.

The clearance of MAL's bid by the Department of Trade and Industry, conditional on sales of certain poster holdings of the combined group, turns out not to have been the watershed that MAL had hoped.

Piccadilly, an offshoot of the privately owned Griffin Group, said on Wednesday that it was considering its position with regard to the MAL bid. But it rejected MAL's demand that it reveal its hand as a "crude attempt to disguise the unduly onerous conditions" in the takeover offer.

Piccadilly already has a foot in the LCAH door with four nominated directors on the board in the wake of a £7.4m rights issue in November that was barely passed over MAL's opposition.

Whether Piccadilly actually has gained management control of LCAH is disputed, but its directors concurred last week when the board told the company's advisers, Kleinwort Benson, that it was prepared unanimously to recommend MAL's 118p cash offer if certain conditions were waived.

The most important of these were the requirements that LCAH show a net asset value of at least £10.1m and that certain tax clearances be obtained.

MAL said that this was possible if Piccadilly House would undertake to accept its offer. It does not want to be left with an obstructive large minority shareholder if its bid succeeds. "That would impose a rather rigid structure on the company," Mr Clive Hollick, managing director, said on Wednesday.

For its part, Piccadilly maintains that LCAH's London and Provincial poster subsidiary is far more valuable to MAL's Mills and Allen than the current bid suggests. "It's a once-in-a-lifetime strategic position for them," said Mr Richard Heley of Piccadilly's advisers, Barclays de Zoete Wedd.

Piccadilly was in no hurry, he said, to choose from among its four options: reluctantly accepting the current offer, accepting a higher offer if one came, mounting a full counter-bid itself, or just holding on.

## David Goodhart looks at fast-expanding Williams Holdings Three part strategy for stage two

IT WOULD be an exaggeration to say that Datastream has been a significant contributor to the takeover boom of recent years. However, as Nigel Rudd, chairman of Williams Holdings, would readily admit it has made life a lot easier for buyers such as himself.

Datastream's ability to provide investment details of under-performing companies by almost any criterion has at the very least helped to cut down on the laborious preliminary work in selecting takeover targets.

However, it is a measure of just how far Williams has come in the past year that Rudd and Brian McGowan, the managing director, have decided that they can no longer handle the acquisition planning work on their own and they have hired two experienced corporate financiers. Perhaps the time has come to drop "mini" from their conglomerate tag.



Mr Nigel Rudd (left), the chairman, and Mr Brian McGowan, managing director of Williams Holdings

1985 has continued the Williams record of doubling—or in some cases tripling—most of its financial indicators every 12 months, largely through acquisition. At December 31 1985 turnover was £100m, pre-tax profit £8.2m and market capitalisation £150m; at the end of this year turnover will be close to £200m, pre-tax profit estimated at £20m, and market capitalisation is £300m.

With another three major acquisitions in 1986—Fairley Engineering (£22m), Dupont (£78m) and London and Midland Industrial (£60m)—it remains virtually impossible to disentangle organic from acquisition growth. Rudd and McGowan claim no magical management skills and ask to be judged on their "personal" skills of fitting the right man to the right executive position, and on their strategic acquisition planning.

The latter has certainly been meticulous. One year ago they split out their three stage plan for expansion and said they were just emerging into stage two which would take them from profit of £10m to £100m.

Progress into stage two has not been without some setbacks. In February they bid £140m for McKechie Brothers but then withdrew when McKechie shareholders narrowly supported the "poison pill" bid from Newman Tonks.

It was, in effect, a defeat for Williams but Rudd and McGowan were not too perturbed. They were also inky on the day of the Tonks decision. Rudd began serious negotia-

tions on the agreed bid for Fairley which kept up the takeover momentum.

Rudd now says that avoiding a tough contested battle has been a blessing, as some of the mud flung by a defender inevitably sticks and can cause long-term damage to a company's image.

Continuing to stick to agreed bids may necessitate acquiring more unwanted divisions of large conglomerates.

So what now is the stage two strategy? The first part of it was completed in November when Williams sold off several of the smaller businesses, including Leys Foundries in Derby, where Rudd and McGowan had cut their teeth in the early 1980s. Despite heavy rationalisation the businesses were not paying their way and created an overdependence on the automotive industry.

Sceptics see this divestment as proof of Williams' opportunism and its inability to produce growth except through acquisition. Rudd and McGowan reply that at least they saved the business from complete closure and through the sale have prevented Williams becoming a loose "rag-bag" of companies.

"We're moving into class businesses now and the founders were just taking up too much time and effort. The trouble is in automotive parts you're only as good as Bedford Trucks or Vauxhall," says Rudd.

Williams now subdivides into five divisions: specialist engineering (26 per cent of profit);

consumer and building products (40 per cent); vehicle distribution (6 per cent); aerospace and industrial products (14 per cent); and North America (14 per cent). It has also acquired a good selection of consumer product brand names such as Swish and Rawplug which Rudd and McGowan believe will give them more control over their corporate destinies.

The second part of the strategy has involved a senior management reorganisation. Rudd and McGowan remain aloof from day to day management and the only other executive board members are R. M. Carr, who runs the cost-acquisition "hit squad," and John Ford, the head of operations.

But beneath them are six newly appointed divisional directors (including two for the consumer and building products division). Three-out of the six—Mike Davies (aerospace), Richard Evans (Rawplug) and Howard Dyer (US)—followed John Ford from Alcan.

The third and final part of the stage two strategy is the acquisition plan for the next two to three years. That plan has three legs: "add-on" acquisitions in the UK, a major UK acquisition and continued growth by acquisition in the US.

The latter will take up most of Rudd and McGowan's time in the coming year. They aim to increase US earnings from 14 to 30 per cent and possibly more if the political climate in the UK turns sour for their kind of business.

Brian McGowan is well aware of the mess many UK companies have made in the US and believes, "UK businessmen often go wrong because they seem to transplant the UK business culture to the US."

Williams has had a plastics business in the US for two years but hopes to base its growth on two out of the three US businesses it acquired with LML Rudd and McGowan are particularly excited by one—Brown Products—which specialises in "bespoke packaging" and which, they say, has great opportunities for expansion in the West coast.

If things go well they will look for an ADR by the end of 1987 and may even build up a separate acquisition team in the US. As for the UK they will not rule out any of the big engineering groups such as ITI or Lucas as possible bid targets.

Are they becoming over-confident? Will they rush into something silly and see their grand design fall apart? It has happened to others on the trail of Hanson and BTR and it could happen to them, but at least they have now passed the point when they don't have to take too many risks and they appear to have learnt from the mistakes of others.

They have a spread of good businesses and some competent managers; more important they have also learnt that Datastream cannot tell you everything. "We know enough to know we don't know very much," says Brian McGowan.

## LONDON RECENT ISSUES

EQUITIES		1986		Stock		Closing Price		+/-	
Issue	Amount Paid up	Latest Date	High	Low	Stock	Price	Div.	Yield	PE
\$222	F.P.	271	153	155	\$Advest Group 10p	148	...	...	...
118	F.P.	50	27	27	Australia Inv. Wfts	50	...	...	...
538	F.P.	28/11	440	39	\$Acorn (Reg) 1p	67	...	...	...
11	F.P.	27	24	24	B.C.E. Wpts 5p	45-2	...	...	...
135	F.P.	20/2	68	61	Benson (S&B)	25	+2	2.5	32
65	F.P.	81	71	71	Border TV	64-2	...	...	...
494	F.P.	20/1	180	175	British Gas	66	...	...	...
175	F.P.	6/1	110	108	Cap Long Prop 10p	109	...	...	...
126	F.P.	9/1	55	39	Fletcher King 10p	178	...	...	...
130	F.P.	27	208	203	Gaynor Group 10p	50	-1	...	...
195	F.P.	2/1	108	105	Glaxo 10p	207	...	...	...
110	F.P.	14/1	121	100	Harley Group 5p	104	...	...	...
128	F.P.	30/1	150	147	Hedley Group 5p	147	...	...	...
120	F.P.	21/1	170	158	Highway 5p	158	...	...	...
102	F.P.	19/12	137	123	Lloyds Chemists 5p	121	...	...	...
114	F.P.	23/1	67	65	Logica 5p	67	...	...	...
102	F.P.	29/1	149	144	M.I. Research 5p	144-2	...	...	...
112	F.P.	11	111	108	Maybarn Group 5p	108	+2	...	...
150	F.P.	7	78	77	Mezzanite Tr. Inc.	77	...	...	...
50	F.P.	53	52	52	De. Capital 50p	95	-1	...	...
105	F.P.	19/12	105	95	Mid-Sun 10p	101	+1	...	...
125	F.P.	23/1	158	155	Nobo Group 10p	155	...	...	...
60	F.P.	6/1	96	80	Northumbria Foods 5p	113	...	...	...
490	F.P.	29/12	111	98	Parish Hides 5p	130	-2	...	...
115	F.P.	12/12	130	125	Parish Hides 5p	125	...	...	...
170	F.P.	19/12	227	193	Parish Hides 5p	193	...	...	...
135	F.P.	9/1	143	138	Parish Hides 5p	138	...	...	...
70	F.P.	9/1	112	110	Parish Hides 5p	110	-2	...	...
112	F.P.	8/1	119	119	Parish Hides 5p	119	...	...	...
150	F.P.	52	52	52	Parish Hides 5p	52	...	...	...
1140	F.P.	7/1	142	138	Parish Hides 5p	138	...	...	...
97	F.P.	10/12	148	128	Parish Hides 5p	128	...	...	...
125	F.P.	23/1	148	138	Parish Hides 5p	138	...	...	...
104	F.P.	5/12	90	87	Parish Hides 5p	87	+1	...	...

## FIXED INTEREST STOCKS

FIXED INTEREST STOCKS		1986		Stock		Closing Price		+/-	
Issue	Amount Paid up	Latest Date	High	Low	Stock	Price	Div.	Yield	PE
1000	F.P.	29/1	107	97	Essex Water 11 1/2% Red Deb 2002-04	97	...	...	...
1000	F.P.	26/2	107	96	Essex Water 11 1/2% Red Deb 2002-04	96	...	...	...
1000	F.P.	10/1	99	99	Essex Water 11 1/2% Red Deb 2002-04	99	...	...	...
1000	F.P.	3/2	105	105	Essex Water 11 1/2% Red Deb 2002-04	105	...	...	...
1000	F.P.	10/1	105	105	Essex Water 11 1/2% Red Deb 2002-04	105	...	...	...
1000	F.P.	10/1	105	105	Essex Water 11 1/2% Red Deb 2002-04	105	...	...	...
1000	F.P.	10/1	105	105	Essex Water 11 1/2% Red Deb 2002-04	105	...	...	...
1000	F.P.	10/1	105	105	Essex Water 11 1/2% Red Deb 2002-04	105	...	...	...
1000	F.P.	10/1	105	105	Essex Water 11 1/2% Red Deb 2002-04	105	...	...	...
1000	F.P.	10/1	105	105	Essex Water 11 1/2% Red Deb 2002-04	105	...	...	...

## "RIGHTS" OFFERS

"RIGHTS" OFFERS		1986		Stock		Closing Price		+/-	
Issue	Amount Paid up	Latest Date	High	Low	Stock	Price	Div.	Yield	PE
60	NI	—	65	65	Essex Water 11 1/2% Red Deb 2002-04	65	...	...	...
335	NI	—	301	301	Essex Water 11 1/2% Red Deb 2002-04	301	...	...	...
245	NI	—	202	202	Essex Water 11 1/2% Red Deb 2002-04	202	...	...	...
65	NI	—	301	301	Essex Water 11 1/2% Red Deb 2002-04	301	...	...	...
14	NI	—	122	700	Essex Water 11 1/2% Red Deb 2002-04	700	...	...	...
5	NI	—	102	140	Essex Water 11 1/2% Red Deb 2002-04	140	...	...	...
46	NI	—	102	140	Essex Water 11 1/2% Red Deb 2002-04	140	...	...	...
12	NI	—	102	140	Essex Water 11 1/2% Red Deb 2002-04	140	...	...	...
10	NI	—	102	140	Essex Water 11 1/2% Red Deb 2002-04	140	...	...	...
210	NI	—	62	25	Essex Water 11 1/2% Red Deb 2002-04	25	...	...	...

Renomination date usually less day for dealing free of stamp duty. Annualised dividend. Figures based on prospectus estimates. Dividend rate paid or payable on basis of capital cover based on dividend as full on prospectus estimates. Dividend rate paid or payable on basis of capital cover based on dividend as full on prospectus estimates. Dividend rate paid or payable on basis of capital cover based on dividend as full on prospectus estimates. Dividend rate paid or payable on basis of capital cover based on dividend as full on prospectus estimates.

## STC buying Whitworth

**BY NIKKI TAIT**

STC, the UK electronics company, gave a welcome Christmas Eve boost to shareholders of Whitworth, the loss-making electrical wholesaler, when it announced a 25m recommended offer for the company.

Whitworth's shares jumped 39p to 131p on the news.

It intended to develop Whitworth's distribution operation as part of its STC Distributors business. The offer has already got the irrevocable backing of shareholders speaking on behalf of 51.9 per cent of Whitworth's shares.

STC is offering three shares for every four Whitworth held which, with STC closing at 174p, values each Whitworth at 130 1/2p. There is a cash alternative of 510p for every four Whitworth

shares. In addition, if the offer goes unconditional, Whitworth shareholders will get a special interim dividend of 2.5p a share.

Any cash acceptances will be met by STC out of its own resources. The Whitworth board has recommended acceptance of the offer.

Since 1982, Whitworth has reported declining profits and — in spite of rationalisation moves, including the reorganisation of London outlets — in the 12 months to March 1986, it returned a £238,000 loss before tax.

The dividend for the year was passed and a management reshuffle ensued. At the last end-March balance sheet date, net assets were put at 107.6p a share.

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# 15% grants.no wonder London's moving our way.

While rents and rates in the capital continue to go through the roof, Warrington-Runcorn continues to offer the kind of government incentives company accountants dream about.

For qualifying companies we can offer 15% capital expenditure grants (or £3,000 for each new job created), and rents, rates and land prices with a definite lean to the low side.

We have a very wide range of ready-built premises, or fully-serviced sites for companies who need to custom build, and a skilled labour force on our doorstep.

And you'll also find that our superb communications make Warrington-Runcorn an ideal base for rapid national distribution.

For the full facts and figures phone Eileen Bilton or write to her at The Development Corporation, P.O. Box 49, Warrington WA1 2LF Cheshire.

**WARRINGTON-RUNCORN**  
TELEPHONE EILEEN BILTON NOW  
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THE NATION'S MOST CENTRAL LOCATION

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This code won't connect you with anyone—but we still feel that it's well worth using.

It's a Code of Practice drawn up by the Association of Telephone Information and Entertainment Providers Ltd. (ATIEP), in consultation with British Telecom, to give guidance on the content of telephone information and entertainment services. These are the numbers that you can dial for everything from share prices to horoscopes to the Madonna story.

The Code of Practice will be used to help ensure that all the messages available through these services are acceptable to the public.

It will be administered by an independent Code of Practice committee who will investigate all reported queries and concerns.

And just in case you were in any doubt about the cost of calls to these services, we've printed the table below.

Telephone number prefix	*Approximate cost per minute (incl. VAT)		
	Cheap rate	Standard rate	Peak rate
0055	5p	10p	15p
0066	10p	15p	20p
0077	25p	40p	40p
0898	25p	40p	40p

\*Prices shown are correct at date printed and may subsequently change. Service providers should clearly state in all promotional material the cost of a call to their service.

If you'd like to know more about the Code of Practice and the services it covers, please call us on 0345 345005† and we'll be delighted to send you an information leaflet giving full details.

†Charged at local call rate.

British TELECOM



Nippon Steel plans plant closures and redundancies

By Ian Rodger in Tokyo

NIPPON STEEL, the world's largest steel company, plans to reduce its 65,000 workforce by nearly a third by 1990...

The company's moves will follow a similar drastic restructuring programme at other major Japanese steel producers...

Companies have been considered the most responsible, the most respected employers in Japanese society...

Fed allows bank to sell commercial paper

By Annette Kalinsky in New York

The US Federal Reserve Board has given Bankers Trust permission to sell commercial paper through a commercial lending subsidiary...

Isuzu plunges into red for year

By Yoko Shibata in Tokyo

ISUZU, THE big Japanese commercial vehicle manufacturer, has announced a plunge into loss in the financial year ended on October 31...

The dividend will once again be passed. The yen's appreciation from an average 235% to the dollar in 1984-85 to 174% in the year to October was the main factor cutting heavily into export sales...

By contrast, showed an 8.5 per cent increase. For the current financial year, Isuzu plans to maintain domestic sales at the same level as the previous year...

Toyo Menka in talks with Tung

By Our Financial Staff

TOYO MENKA, the seventh largest Japanese general trading company, announced over Christmas that it is "in the final stages" of negotiations with L. H. Tung to withdraw its outstanding lawsuit that seeks to enforce an order from the hard-pressed Hong Kong ship owning group for nine new vessels...

Restructuring Tung's US\$2.6bn debt, and putting new equity into the company. Tung's creditors, other than Toyo Menka, formally endorsed the scheme last month...

position has been to insist on full cash compensation for its initial bid, and to reject the restructuring proposals as inadequate.

Rift at KLM after Hilton bid withdrawal

By Our Amsterdam Correspondent

AN UNPRECEDENTED rift appears to have opened up between the management and the supervisory board of KLM, the Dutch flag airline, following the sudden withdrawal on Tuesday night of the company's ambitious bid to buy for \$875m Hilton International, the big hotel chain from Transworld of the US.

Losses mount at Sansui Electric

By Our Tokyo Staff

SANSUI ELECTRIC, the Japanese audio equipment manufacturer, has reported a pre-tax loss of ¥6,120m for the fiscal year to October, against the previous year's pre-tax loss of ¥2bn. The net loss was ¥8,600m, compared with the previous year's net loss of ¥1.1bn.

Property disposals help Toray lift earnings 48%

TORAY INDUSTRIES, the largest Japanese maker of synthetic fibres, announced yesterday that its consolidated net earnings in the first half ended on September 30 grew by 48.3 per cent to ¥10,410m (\$64m) from ¥7,020m a year earlier...

or than the falling prices of imported raw materials also dealt a blow. Earnings before taxes and extraordinary items tumbled 51.5 per cent to ¥7,320m from ¥15,090m. However, extraordinary gains resulting from sales of corporate properties and securities increased to ¥1,190m from ¥880m a year earlier and helped offset the drop.

Saint-Gobain share price falls after profit-taking

By Paul Betts in Paris

PROFIT-TAKING caused a 5 per cent fall yesterday in the share price of Saint-Gobain, the French glass and pipes manufacturer which is the first company to be privatised under the conservative government's programme.

Air Canada optimistic

By Robert Gibbins in Montreal

AIR CANADA, which lost money in the first half of 1984 and made a \$55.8m (US\$41.4m) profit in the third quarter, now expects earnings of between \$200m and \$300m for all of 1984, against a \$14.8m loss in 1983.

WestLB Tokyo securities move

WESTDEUTSCHE Landesbank said it had obtained a securities licence in Japan, and would operate through a Tokyo branch of its Hong Kong-based WestLB Securities Pacific, reports Resister from Frankfurt.

Winsor ahead 24% at midway

By David Dodwell in Hong Kong

WINSOR INDUSTRIAL, Hong Kong's largest textile manufacturer, has reported a 24 per cent leap in after-tax profits for the first half of its current financial year — a strong recovery to Hong Kong's economy during 1984, and indicating that US protectionist pressures have so far failed to bite deeply into the business of local textile manufacturers.

Resignation blow for Israeli contractor

By Judith Maltz in Tel Aviv

THE RESIGNATION this week of Mr Moshe Zanbar, chairman of Solel Boneh, the Israeli civil engineering contractor, has cast serious doubts about the debilitated company's future.

Resignation blow for Israeli contractor

By Judith Maltz in Tel Aviv

Under pressure from the Histadrut, the Israeli trade union federation which controls the company, Mr Ehad Shilo, the managing director, agreed at the same time to postpone his previously announced decision to step down.

Resignation blow for Israeli contractor

By Judith Maltz in Tel Aviv

These moves were apparently a protest against a demand by the parent company, Hevel Ol'ivim, the industrial arm of the Histadrut, that Solel Boneh should increase wages at a time when the company is suffering from a sharp downturn in domestic construction activity.

WEEKLY PRICE CHANGES

Table with columns: Commodity, Price, Change, High, Low. Includes Metals, Grains, and other commodities.

US MARKETS

Table with columns: Commodity, Price, Change, High, Low. Includes US Stocks, Bonds, and Futures.

INDICES

Table with columns: Index Name, Value, Change. Includes Reuters and Dow Jones.

CHICAGO

Table with columns: Commodity, Price, Change, High, Low. Includes Live Cattle and Hogs.

ALUMINIUM

Table with columns: Commodity, Price, Change, High, Low.

SOYABEAN MEAL

Table with columns: Commodity, Price, Change, High, Low.

COPPER

Table with columns: Commodity, Price, Change, High, Low.

HEATING OIL

Table with columns: Commodity, Price, Change, High, Low.

LEAD

Table with columns: Commodity, Price, Change, High, Low.

WHEAT

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NICKEL

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CRUDE OIL

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SOYABEAN OIL

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GOLD

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SILVER

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COFFEE

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COCAO

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POTATOES

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SOYABEAN MEAL

Table with columns: Commodity, Price, Change, High, Low.

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FREIGHT FUTURES

Table with columns: Commodity, Price, Change, High, Low.

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WORLD STOCK MARKETS

NEW YORK

Table of stock prices for various companies in New York, including columns for Stock, Dec 23, Dec 22, and Dec 21.

NEW YORK INDICES

Table of stock indices for New York, including DOW JONES, S&P 500, and various sector indices.

CANADA

Table of stock prices for various companies in Canada, including columns for Stock, Dec 23, Dec 22, and Dec 21.

Modest rise for Dow in light trading

THE SMALL VOLUME of the day after Christmas was the salient feature of Wall Street stock trading as many participants opted to extend their holidays on more than Wednesday by a slight margin in a volume of 31m shares. Transports were 0.48 lower at \$19.89 and Utilities were just 0.69 down at \$20.99.

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Table of stock prices for various companies in Canada, including columns for Stock, Dec 23, Dec 22, and Dec 21.

AUSTRIA

Table of stock prices for various companies in Austria, including columns for Stock, Dec 23, Dec 22, and Dec 21.

GERMANY

Table of stock prices for various companies in Germany, including columns for Stock, Dec 23, Dec 22, and Dec 21.

NORWAY

Table of stock prices for various companies in Norway, including columns for Stock, Dec 23, Dec 22, and Dec 21.

AUSTRALIA (continued)

Table of stock prices for various companies in Australia, including columns for Stock, Dec 23, Dec 22, and Dec 21.

JAPAN (continued)

Table of stock prices for various companies in Japan, including columns for Stock, Dec 23, Dec 22, and Dec 21.

FINLAND

Table of stock prices for various companies in Finland, including columns for Stock, Dec 23, Dec 22, and Dec 21.

FRANCE

Table of stock prices for various companies in France, including columns for Stock, Dec 23, Dec 22, and Dec 21.

NETHERLANDS

Table of stock prices for various companies in Netherlands, including columns for Stock, Dec 23, Dec 22, and Dec 21.

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NOTE: Prices on this page are as quoted on the individual exchanges and are last traded prices. \* Denotes suspended. x Ex dividend, xx Ex scrip issue, xx Ex rights, xx Ex 1/2 price in Kroner.



DEALINGS

Details of business done on the London Stock Exchange during the week ending 22nd December 1987...

Associated Paper (eds 3.85pcp) (51) 45... Audio Facility (100) 72 & (2012) Automated Computer (Hides) 50pcp (61) 102...

UK PUBLIC BONDS... 1991-92 100pc 122 121... 1992-93 100pc 122 122...

FOREIGN STOCKS... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

FINANCIAL TRUSTS... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

INSURANCE... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

INVESTMENT TRUSTS... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

MINE & MINERAL... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

PROPERTY... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

UTILITIES... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

WATERWORKS... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

UNLISTED SECURITIES MARKET... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

SPECIAL LIST... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

RULE 535 (2)... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

RULE 534 (4) (a)... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

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PLANTATIONS... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

RAILWAYS... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

SHIPPING... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

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RULE 535 (14)... Anglo Siam (100) 1982-93 670... Anglo Siam (100) 1982-93 670...

The Princess Alice Hospice advertisement with logo and contact details.

A FINANCIAL TIMES SURVEY advertisement with logo and headline.

A FINANCIAL TIMES SURVEY ELECTRICITY advertisement with detailed survey results and methodology.

A FINANCIAL TIMES SURVEY advertisement with detailed survey results and methodology.

Table of FT-Actuaries Indices showing various equity groups and sub-sections with their respective values.

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Table of Fixed Interest rates for various periods and currencies.

Table of Average Gross Redemption Yields for various investment options.

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AUTHORISED UNIT TRUSTS

Table listing various unit trusts with columns for name, manager, and other details.

A FINANCIAL TIMES SURVEY The next FT survey covering the West Country will be on the subject of PLYMOUTH

This survey is due to be published on April 7 1987. It will be the first occasion that the FT will have published a survey on this city, consequently it will attract high readership interest.

Clive Radford FINANCIAL TIMES Merchants House, Wapping Road, Bristol, BS1 4RW Bristol (0272) 292565

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER LONDON - FRANKFURT - NEW YORK

HOLIDAY AND TRAVEL ADVERTISING is published on Wednesday and Saturday

EUROPEAN OPTIONS EXCHANGE

Table showing European options exchange data with columns for series, vol, and price.

FT UNIT TRUST INFO

Main table listing various unit trusts, their managers, and performance metrics.

INSURANCES

Table listing insurance companies and their details.

AUTHORISED UNIT TRUST & INSURANCES

Main table listing various financial products, companies, and their details. Includes columns for company names, product names, and numerical values.

INSURANCE, OVERSEAS & INVESTMENT

Handwritten text in a stylized font, possibly a signature or logo.

Table listing various insurance and investment products, including company names, fund names, and numerical values.

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OFFSHORE AND OVERSEAS

Table listing various offshore and overseas investment products, including company names, fund names, and numerical values.

Money Market

Table listing various money market products, including company names, fund names, and numerical values.

Trust Funds

Table listing various trust funds, including company names, fund names, and numerical values.

Bank Accounts

Table listing various bank accounts, including company names, fund names, and numerical values.

TRADITIONAL OPTIONS

3-month call rates

Table listing various traditional options and 3-month call rates, including company names, fund names, and numerical values.

MANAGEMENT SERVICES

Table listing various management services, including company names, fund names, and numerical values.

BRITISH FUNDS

Table listing various British funds with columns for Stock, Price, Div, and Yld. Includes sections for 'Shares (Lives up to Five Years)', 'Five to Fifteen Years', and 'Over Fifteen Years'.

AMERICANS—Cont.

Table listing American stocks with columns for High, Low, Stock, Price, Div, and Yld. Includes sections for 'CANADIANS', 'BANKS, HP & LEASING', and 'CORPORATION LOANS'.

LONDON SHARE SERVICE

Main section for London Share Service, divided into multiple sub-sections: BUILDING, TIMBER, ROADS—Cont., DRAPERY & STORES—Cont., ELECTRICALS, CHEMICALS, PLASTICS, DRAPERY AND STORES, FOOD, GROCERIES, ETC., and AMERICANS. Each sub-section contains a list of stocks with their respective prices and yields.

ENGINEERING—Continued

Table listing engineering stocks with columns for Stock, Price, Div, and Yld. Includes sub-sections for 'HOTELS AND CATERERS' and 'INDUSTRIALS (Miscellaneous)'.

INDUSTRIALS—Continued

Table listing industrial stocks with columns for Stock, Price, Div, and Yld. Includes sub-sections for 'HOTELS AND CATERERS' and 'INDUSTRIALS (Miscellaneous)'.

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INDUSTRIALS-Continued LEISURE-Continued PROPERTY-Continued INVESTMENT TRUSTS-Cont. FINANCE, LAND-Cont. MINES-Continued

Main table containing stock market data for various sectors including Industrials, Leisure, Property, Investment Trusts, Finance, Land, and Mines. Each sector has a sub-table with columns for stock name, price, and other financial metrics.

NOTES
Under the following conditions, prices and net dividends are in cents and denominations are in dollars. Dividends are paid quarterly and are subject to change without notice. Dividends are paid in cash unless otherwise indicated.

OVERSEAS TRADERS
Table listing international trading companies and their stock prices. Includes columns for company name, price, and other details.

PLANTATIONS
Table listing plantation companies and their stock prices. Includes columns for company name, price, and other details.

MINES
Table listing mining companies and their stock prices. Includes columns for company name, price, and other details.

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FINANCIAL TIMES

Saturday December 27 1986

OSCAR 414161
Fidelity
MAKING MONEY MAKE SENSE

Inflation forecast to reach 4.9%

BY JANET BUSH

BRITAIN FACES a substantial current account deficit and rising inflation next year, according to several independent economic forecasters.

An analysis published by the Treasury of the latest projections of leading forecasting groups shows their views are significantly more pessimistic about next year's prospects than Mr Nigel Lawson, Chancellor, was in his November Autumn Statement.

Taking an average of the forecasts, the economy is expected to expand by 2.7 per cent next year compared with 2.2 per cent this year. This is broadly in line with the Chancellor's Autumn Statement forecast of gross domestic product growth in 1987 of about 3 per cent.

But the independent forecasters expect inflation to rise to 4.9 per cent in the final quarter of next year compared

AVERAGE INDEPENDENT FORECASTS
1986 1987
GDP (percentage annual growth rate) 2.2 2.7
Inflation rate (fourth quarter) 3.3 4.9
Current account (£bn) -0.5 -1.1
PSBR (£bn, financial years) 7.7 9.8
Unemployment (fourth quarter, millions) 2.0 2.0
Retailing index (1975=100) 65.2 65.8
Short-term interest rates (fourth quarter, %) 10.8 10.1

with 3.3 per cent in the past three months of this year. This is markedly higher than the Autumn Statement forecast of 3.3 per cent in the fourth quarter next year. On the current account, the independent forecasters expect a deficit of £3.1bn next year, twice the figure quoted by the Government. The Chancellor predicted the current account would be roughly in balance this year, whereas the forecasters expect a deficit of about £500m.

3m next year, according to these forecasters who see the rate falling to 3.08m by the fourth quarter of 1987 compared with 3.20m in the last three months of this year.

On unemployment, forecasters see the Public Sector Borrowing Requirement for 1986-87 turning out at £7.7bn, higher than the government forecast of about £7bn. In 1987-88, PSBR is expected to rise to £9.8bn, substantially higher than the Government's unchanged assumption of £7bn. Mr Lawson made it clear in his Autumn Statement that the extra public spending he announced would not lead to additional borrowing and pointed to the buoyancy of non-oil tax revenues.

Buy-out of Electro-Nite for £45m to be managed from UK

By Charles Batchelor

THE MANAGEMENT of Electro-Nite, a supplier of measuring equipment to the steel industry, with operations in Europe and the US, is staging a \$65m (£45m) buy-out of its company. This is claimed to be one of the largest international buy-outs to be managed in the UK.

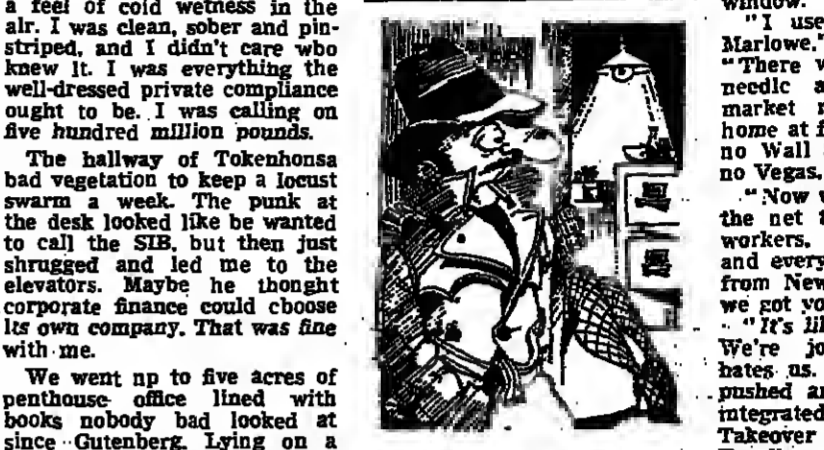
It has been arranged by 31 (Investors in Industry), the UK venture capital group, and involves Electro-Nite managers from eight countries. 31 hopes to place some of Electro-Nite's equity with investors throughout Europe, while syndication of a \$45m loan included in the finance will be managed by the Banque Française du Commerce Extérieur.

This deal confirms London's position as the centre for organisation of international buy-outs, Mr Rodney Hall, a 31 director, said. It follows two buy-outs organised by US banks based in London, though neither involved a management team of such wide geographical dispersal, 31 said. In June, Grand Metropolitan, the drinks and leisure group, sold Maes Brewery, a Belgian subsidiary, to its management in a £28m deal arranged by Bankers Trust.

In the same month, Celco, a US container leasing company, sold TIP Europe, its European subsidiary, to its management for £150m in a deal co-ordinated by Citicorp. Mr Henk Klyen, Electro-Nite chairman, said: "We didn't look for funds in Belgium. London is the centre for these things. Electro-Nite used to be part of Midland-Ross Corporation, of Cleveland, Ohio. This engineering, aerospace and electronics group was acquired by Forstmann Little, Wall Street investment partnership, for \$750m in July. Electro-Nite made a pre-tax profit of \$9.3m on turnover of \$82m in the year to November 1985. Turnover rose to about \$100m in the year just ended. Electro-Nite employs 1,000 people and makes disposable devices that measure temperature and composition of molten steel in blast furnaces. It has factories in Belgium, France and the US, assembly plants in Australia, Brazil and South Africa, and a joint-venture company in Japan. More than 50 of Electro-Nite's managers will subscribe \$5.2m for a 62.5 per cent stake in the company. Land Instruments International of Sheffield, its UK distributor, will take a 2.5 per cent stake while the remaining 3.25 per cent will be offered in convertible form to outside investors.

THE LEX COLUMN Last trade for Lucky

Index rose 6.5 to 1301.2



It was about four o'clock in the afternoon, mid-December, with the sun not shining and a feel of cold wetness in the air. I was clean, sober and pin-striped, and I didn't care who knew it. I was everything the well-dressed private compliance ought to be. I was calling on five hundred million pounds. The hallway of Tokenhouse had vegetation to keep a locust swarm a week. The punk at the desk looked like he wanted to call the SIB, but then just shrugged and led me to the elevators. Maybe he thought corporate finance could choose its own company. That was fine with me.

We went up to five acres of penthouse office lined with books nobody had looked at since Gutenberg. Lying on a couch in the distance was a dame in a cashmere outfit you could have found in the dark by listening to it purr. Doris Lagarda had enough sex-appeal to stampede an accountant's annual dinner. Her hair was a burning warehouse. She wore diamond ear-rings as heavy as butcher's thumbs. She turned two eyes as big and green as computer screens on me. "What do you know of Lucky Lehman?" "Enough. Used to be a runner for William Hill. Did a little legging for Frenchie Roux, small stuff. Runs a discount brokerage in Swindon, Stock Exchange Council. Solid citizen." She sat up and two green bullets hit me where it hurt: "You're slow, Marlowe. Lehman is head of equity trading at Tokenhouse Securities. Or was." She reached into a leather folder and a pearl-handled .38 fell on to the floor and with it a scrap of paper. It was a contract note in Lehman's favour, for 100,000 Associated. Nothing wrong in that. Just a rich man getting richer. Only Associated was in play and Tokenhouse was on the other side. "Miss Lagarda, I think we need some law. Call Berrill down at the SIB. I worked as his investigator a long time ago." She looked at me as if I was wallpaper. "The board can offer 100,000 a year and options, of course." "Twenty-five a day and expenses," I said.

Continued from Page 1

Chinese

munists to oppose the campaign, and for reformers to experiment in such a province as Anhui, which is already a model for agricultural reform. Prof Fang said western concepts of liberalism had influenced Chinese students, but they did not have "concrete plans" and did not necessarily want western-style democracy. The students' main concern was the speed at which political reform would be introduced, he said. "The students want to go very quickly. Deng Xiaoping told a Japanese Minister that there could not be presidential elections for 50 years. This is reasonable because, just as economic reforms take time, so do political reforms."

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Boeing repair blamed for Japan air crash

BY CARLA RAPPOPORT IN TOKYO

FAULTY REPAIRS by Boeing of the US have been found to have caused the 1985 crash of a Japan Air Lines Boeing 747, in which 520 people died.

After more than a year of investigation, Japan's Transport Ministry Aircraft Accident Investigation Commission this week adopted a draft of its final report on the JAL crash, the world's worst single aircraft disaster. The report blames Boeing for a faulty repair of the jet's aft pressure bulkhead in 1976, after the jet scraped its tail on the runway when landing at Osaka airport in June of that year.

The faulty repair resulted in metal fatigue and cracks in the

aft pressure bulkhead, the part of the plane which separates the cabin from the tail section. This led to the rupture of the aft pressure bulkhead seven years later during the ill-fated Tokyo-Osaka flight on August 12, 1985. The rupture blew the tail cone away as well as the upper half of the tail fin and rudder, causing a descent lasting some 50 minutes before the plane crashed into Mount Ootaka in Cumma prefecture, Norib West of Tokyo.

Of the 524 people of board, only four survived. Since the crash, JAL and Boeing have taken joint responsibility for compensation claims to victims and other formalities. JAL said yesterday it would make no official comment on the report until the final version was approved. Nonetheless, a JAL executive said: "The report is good news for JAL. When we get the final report in spring, we will make a full comment."

The draft report exonerates JAL's maintenance crew, saying that it would have been very difficult for JAL mechanics to have detected the metal fatigue and cracks during their regular check-up nine months before the accident. The commission's report took an unusually long time to prepare because investigators made full-size models of the rudder and pressure bulkhead, carried out tests which destroyed the models and analysed the results with the aid of computers. They simulated the crash using computers programmed with information supplied by Boeing on the strength of various aircraft parts.

The commission will translate the draft into English and send it to the US National Transportation Safety Board by the end of next month. After bearing US comments on the report, the commission will release its final report in late March at the earliest.

Napley to represent Guinness

By Clive Wolman

GUINNESS, the brewing and spirits company, has appointed Sir David Napley, a leading criminal lawyer, to act as its legal representative in the investigation into its affairs by the Department of Trade and Industry.

Sir David and his firm Kingsley Napley will take over from Freshfields, one of the top City firms of solicitors, in handling the inquiry which has focused on share dealings during the Guinness takeover battle for Distillers.

Freshfields will continue to be employed by Guinness on other legal work, alongside another firm of solicitors, Travers Smith, Braithwaite. Freshfields was asked to end its involvement in the DTI investigation because of its close links with Morgan Grenfell, the merchant bank which acted as Guinness's adviser during the takeover battle between January and April.

Since the summer a growing rift has emerged between Guinness and Morgan Grenfell. This will widen if the DTI finds evidence of wrongdoing.

The number of professional advisers employed by Guinness is unprecedented. It employs three firms of solicitors, five firms or individual consultants advising it on public relations and two merchant bank advisers. In addition, several of its key staff, including Mr Olivier Roux, its finance director, are on secondment from the international management consultancy firm Bain and Co. Guinness is believed to be the firm's largest fee-paying client.

Holmes à Court joins bid battle

BY CHRIS SHERWELL IN SYDNEY

TWO OF Australia's wealthiest entrepreneurs have become locked in an open AS2bn (£917m) takeover battle for Herald and Weekly Times (HWT), the Melbourne-based Press and broadcasting group. After a bid from Mr Robert Holmes à Court, raising the Holmes aggressive offer from Mr Rupert Murdoch.

Mr Holmes à Court's bid, announced on Christmas Eve, was quickly dismissed by Mr Murdoch, but it has put pressure on his News Corporation to respond with a better offer for HWT.

Mr Murdoch surprised the market this month with his AS1.5bn bid for HWT. He offered AS12-a-share cash for HWT's 150m-odd shares, with alternatives of two News Corporation shares or convertible shares for every three HWT shares.

Mr Holmes à Court has offered AS13 a share, through J. N. Taylor Holdings, a quoted investment company, which he controls. That AS1.95bn bid also carries an alternative — seven convertible J. N. Taylor notes or convertible shares for every four HWT shares.

Like Mr Murdoch, Mr Holmes à Court wants HWT to recommend his bid to shareholders in the absence of a higher offer. However, unlike Mr Murdoch, who won such a recommendation after he gave the HWT board only a day in which to respond, Mr Holmes à Court now has to sit and wait.

A Christmas Eve HWT board meeting, not attended by all members, decided that no response could be made that day. Further formal consideration is unlikely before next week. Mr Murdoch has, meanwhile, picked up a 12 per cent stake held by Mr Ron Brierley's Industrial Equity group, prepared formal offer documents and reached agreement with the Trade Practices Commission, the watchdog body that has been investigating the market implications of his prospective takeover.

Under that agreement, News Corporation has undertaken to sell certain newspaper interests in Australia, presumed to be newspapers in Brisbane and Adelaide, where the new combine would otherwise have local newspaper monopolies. Mr Murdoch has also indicated that, because of the Government's new draft rules regarding television ownership in Australia, he would dispose of HWT's two television stations in Melbourne and Adelaide.

The counter-bid was "silly," he was quoted as saying from the US, and an "attempt to punish me for not selling him some of the company's assets at a discount by the back door by private negotiation." Murdoch-owned newspapers in Australia added yesterday that News Corporation would not deal separately with Mr Holmes à Court. Since Mr Murdoch has 12 per cent of HWT, it seems difficult for Mr Holmes à Court to win control of 90 per cent of HWT shares, one of the conditions of his offer, unless Mr Murdoch backs down.

Airbus decision Continued from Page 1

about \$1.5bn, shared between its five shareholders.

General Electric, the world's largest aero-engine company, has flight-tested a small propfan engine, and Pratt and Whitney and Rolls-Royce are working independently on propfan studies. No final proposals have been made for selling these engines to airlines.

Airbus Industrie has identified about 15 international airlines as potential launch customers for the A340, which is scheduled to enter airline service in April 1992. The LAE V2500 superfan engine will use a large, geared, ducted fan powered by the existing core of the V2500 turbofan engine that is to power the Airbus A320 twin-jet airliner. The A350 is to enter service in 1989. The use of the ducted fan, a large, shrouded, multi-bladed fan at the front of the engine, offers airlines the prospect of an expected fuel saving of more than 12 per cent. The A340 is to be offered in two versions, a larger A340-300 with 294 seats in a three-class cabin and a range of 7,100 miles, and the currently proposed A340-200, seating 262 passengers in a similar layout with a range of 7,700 miles.

GEC and Plessey talks about System X run into difficulties

BY DAVID THOMAS

TALKS BETWEEN the General Electric Company and Plessey, Britain's two biggest telecommunications equipment manufacturers, about the future of System X, the only public digital telephone exchange developed in Britain, have run into difficulties.

The problems, which appear to centre on Plessey's wish for a more extensive agreement than CEC is prepared to offer, have dimmed prospects over the past 10 days for further co-operation between the groups on developing and marketing the system.

The trouble followed the bitter row over the Government's decision to base Britain's airborne early warning defence on Boeing's Awacs system, for which Plessey will do subcontract work rather than on GEC's Nimrod system, though it is not clear whether the two are related.

which accounted for sales worth £463m to the two companies in 1985/86, began shortly after the Monopolies and Mergers Commission blocked GEC's hostile takeover bid for Plessey in August.

The sole benefit the commission saw in the proposed takeover was the fusion of the two companies' System X interests, a course observers thought sensible to boost System X's chances of winning orders in world markets.

The companies have unsuccessfully discussed bringing their System X interests together several times in recent years. Executives of the two companies have been meeting regularly throughout the autumn to discuss closer collaboration over System X.

CHIEF PRICE CHANGES ON WEDNESDAY

RISES
Abbott Mead Vickers 216 + 8
BAT Inds 473 + 5
BlueCircle 663 + 3
Bryant Hldgs 164 + 5
Burton 273 + 4
Countrywide Props 475 + 4
EMAP "A" 148 + 4
Early's of Witney 158 + 17
Hallite 220 + 19
Hambro Countrywide 325 + 10
Hill Samuel 390 + 8
Holmes Protection 125 + 5
Keep Trust 228 + 22

FALLS
Dataseriv Inc 195 - 50
GAT Kalgoolite 118 - 20
Klinef Cold 496 - 27
Tilbury 200 - 6
LCA 121 + 3
Laird Group 247 + 8
P & O Dcfd 5088 + 10
RTZ 692 + 10
Shiloh 223 + 15
Trusthouse Forte 178 + 5
Wellcome 231 + 5
Whitworth Elec 131 + 37

UK today: Mainly cloudy, showers, rain at times in NE Scotland and SE. Outlook: mild.

WORLDWIDE WEATHER
Y'day Y'day Y'day Y'day
C F m p C F m p C F m p C F m p

1 Noon GMT temperatures.
C-Cloudy, O-Drizzle, F-Fair, FG-Fog, H-Hail, R-Rain.
S-Sunny, SI-Sleet, SN-Snow, T-Thunder.

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مكتبة الجليل

# WEEKEND FT

Saturday December 27 1986

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

## Afternoon in Tegwilo

Distributing food to the areas where it is most needed can be painfully difficult says Robert Barr, who is in Sudan for one of the aid agencies.

THE THREE sheikhs were polite and reserved. The interpreter explained that their people were very hungry. "They want you to give them food to take back to their villages."

"Tell them," I said, "that we must first find out how much food they need." I was moved by their dignity and restraint. It was my third day in Sudan. The youngest returned a few days later and guided us to their villages. The first was a straggle of palm-matting huts along the bank of a scorched wadi. Elegant dom palm trees overhung it. The fruit of the dom palm is a bit like a dirty tennis ball full of halsa wood. It was, the villagers said, all they had to eat. We put them on the list.

Later I was taken back to hear that one of the same sad sheikhs had pinched half the consignment. We checked. The people whom he claimed to represent saw a different face from the one he showed us. When the lorry arrived he announced that he had obtained the food and that it was his to distribute. He gave half to his tribe, none to the other tribes and sent the rest to the nearest town to be sold.

Food is power—and that makes us, the representatives of the aid agencies, some of the most powerful people in the country. Our problem is getting food to the "people who really need it. If Britain were a starling who would you choose to help you distribute food? The police? The Women's Institute? The social services? Local councillors? Who would you trust for impartial advice? Who would the hungry want to represent them?"

Not that there is always a choice. We are in an office in the small town of Tegwilo (that's not its name) with the District Commissioner for the surrounding area. Like us, he has problems. Only a kilometre from where we sit there is a squatter settlement of something like 30,000 people. It has grown from nothing on land adjacent to the town. People have walked from villages all over the district to settle there. Before the drought they lived by their animals; now only a few goats survive. They are destitute. They have only the

District Commissioner to turn to. They think, rightly, that they are more likely to be given food if they are camped on his doorstep than if they were distributed 50 or 100 kilometres away up a wadi dry as Death Valley.

They live in flimsy shelters of woven twigs covered with scraps of cardboard, cloth and matting. The nucleus of the settlement is so tightly packed that it is hard to pick your way among the huts. It is called "Lights" because at night it is a field of tiny twigs and charcoal fires burning in shallow pits.

The people of Lights make District Commissioner Malik's life very wearing. He is a stocky, robust-looking man. He wears a pained expression but his tone, as he explains the problem to us, is reasonable. They are always in his office. They have so many complaints. Last month he gave out food and they say it was not enough. Some say their tribes were excluded, others that there are newcomers from their villages and they want their names added to the list. They all ask when the next distribution will be.

But it is not only food they want—there is no well. How can there be a well? No one lived there six months ago! They say that the price of a skin of water in the souk goes up every week. Everyone must pay for water—they know that. They want matting for their houses. Impossible! It's not their land. They are illegal. They do not realise that Tegwilo is already full of poor people. The food distribution in Lights has already caused bad feeling in the town.

"Everyone in Tegwilo knows me. Many complain. I tell them that it is the foreigners who insist that we give food to the illegal people in Lights." He spreads his hands apologetically and adds: "It is hard for them to understand."

It is Ramadan. Malik may not eat or, worse, drink until sunset. We are all dehydrated by the hot dust wind that blows through the room without cease. There is no refreshment.

"I see deputations all day—these people have no idea of office hours—all day we talk—you see my point?" We see his point clearly.

We have a deadline. It is the monthly food allocation meeting for the district. Together we have to agree what the food should go. If the district is to get any food in the next two weeks Harry has to return to the office with a delivery list tonight. Harry, a tall, patient and usually humorous American, is the local World Food Programme man. He controls the thousands of tons of grain donated for famine relief in this part of Sudan. I work for a small British aid agency. I am there because I run the teams that have surveyed the district. And it is Malik's district.

"So," says Malik decisively, "Lights must go. It is unsanitary. It is making us sick. No more food. It will only encourage them to stay and even more to join them." He is right. It will, of course. But...

Before we can speak a man walks up



to his desk and addresses Malik who at once switches to Arabic. The Sudanese have different notions of protocol from us. People are constantly walking in and out; others peer in through the open door and windows; a dozen men are sitting on benches round the wall or squatting on the floor. One is asleep. While we wait I show Harry our survey results. In addition to Lights there are 30 villages in the district needing food. None has so far been discussed. Malik does not share our sense of urgency.

After 10 minutes he turns back to us. Harry jumps in first.

"Let's discuss the villages and come back to Lights later, Malik."

"As you wish, Harry."

"OK. Good. Good. So, what have you got for us?"

"Well, I have some ideas," Malik says vaguely. Reluctantly he produces his list of villages. "Let's bear it," says Harry.

He dictates. We take it down in our respective notebooks. Against each village is the amount of grain he proposes should be allocated. I compare those quantities with the population estimates made by my survey teams. One of us must be wrong. Many of his figures bear no relation to mine. I become very alarmed. I wonder if the survey teams have been conned. I cannot believe that Malik can be so wrong. It is his country—we are newcomers. I am sick with doubt.

Malik reaches the end of his list. It is much shorter than mine. He omits villages that we have visited. But what is really surprising is that the last 11 villages are all assigned exactly the same amount—round 100 sacks each. I look at our survey reports. I have been to several of these villages with the teams. It is a moment of truth for me. I am sure that these villages are of very different sizes. These 11 villages give the lie to the entire list.

I indicate them in Harry's reporter's pad. He takes the hint. "OK. Now, er, Malik, tell me, these 11 villages at the end here, do they all have the same populations?"

Malik pulls his chin. "Well, Harry, it is hard to say, but I think the allocation is fair." His tone implies that it is not a matter worth discussion.

"Uh huh. Robert, do you have any comment?"

I do. I read out my list. Of the 11, the largest is 10 times the size of the smallest, on our estimation. Malik rubs a sinister hump on his forehead. It is pinkish on its smooth crown. It clearly troubles him.

"Ah, but they lie, these people! They will tell you that there are a thousand families in the village and in fact there are only 50. You cannot believe anything they say."

I tell him how we conduct our surveys. We sit down with the villagers and ask the sheikhs to make lists naming all the families in their tribes. "Oh," says Malik, "these lists I have a thousand lists!" There is a pile of papers three inches thick held down by a rock on the corner of his otherwise empty desk. He lifts the rock and takes a handful. They are all lists of names. He leafs through them wearily. Some are a single sheet or scrap of paper, others are 20 or more pages long, inscribed by the local teacher or Koran sheikh, the first page made solemn by an exorcise stamp, written on torn-out pages of exercise books or thin spongy paper. He replaces them under the stone with a gesture of helplessness.

"You cannot trust lists."

I tell him how we try to count the houses to check numbers. He shrugs. I know that house counts are often impracticable. Lists are unreliable and if you just ask they'll look you in the eye and quintuple the population. A survey is a battle of wits. In the end, by cross-checking and foot-slogging you get some-

where near the truth. Later, writing my report in the misleadingly dispassionate style such a thing demands, I will say truthfully, "These are non-literate people unused to estimating numbers. If on occasion there is a deliberate intention to deceive, who can blame them? Such an opportunity may never arise again. They see it as their duty to their family and tribe to secure as much food as they can." And so would I in their place.

It is life or death for them; but now, in this impossible office, I hate them for putting me in such a weak position. Of course I cannot be sure of my figures. But they are better than Malik's. Malik does have an objection to house counts, however, but it takes us a moment before we realise that he is talking not about villages but once again about Lights.

"When they see you coming they put up more bouses. I have seen them do this. I know these people. They can double the number of houses overnight. They stream out of the town and have huts up in half an hour with their mother or their daughter inside if they suspect a count is imminent. You know that many families in the town have a second house in Lights so that they can claim a ration from you?"

Malik is right. Harry eases his lips back from his teeth. He, like me, finds it hard to stifle a voice in his head that says over and over again in a relentless monotone, "I just want a drink and to get out of here."

"I think we all agree that Lights presents particular problems, Malik, but I wonder if perhaps we can look at the villages first."

"Whatever you say, Harry," Malik says and smiles like a tiger. He has a lot of teeth. He also has stamina. He takes my list of villages and studies it. After a moment he looks up affably. "Well, if you say these are the figures..." He hands me the list, "you decide the allocation Harry."

So Malik wants to wash his hands of these disruptive foreigners. Why should he associate himself with them? Great. I think, that's fine by me. But Harry won't break the rules. He works for a UN organisation and they have to be seen to work through the Sudanese authorities. I know this but I can still hardly believe it when he says: "Er no, Malik, we need your approval for each village's allocation."

So, Malik and I settle down to compare lists, village by village. Where he wants to make a big cut in my figure I get out the survey report, I name the tribes that live in the village and show him the surveyor's sketch map. He has not visited these villages. Their features are unfamiliar to him. I recall that he does not even possess a map of his district. Perhaps nomadic movements explain the discrepancies. It turns out that our figures are more recent than his. We compromise, but the compromise is close to my figure. Harry watches. I am justifying our work as much to him as to Malik.

He will accept whatever emerges as long as Malik puts his name to it. An hour passes. At last we have finished. The sense of relief refreshes us. We revive as if we had drunk the jug of lime juice that refuses to leave the forefront of both our minds.

In silence we each add up the list to see how much food has been allocated. Malik finishes first and turns to Harry. "So, we have plenty of grain available for the town."

"For the town, Malik?"

"For the poor people of the town."

"It's not our business to feed the town. This food has been given for rural famine victims."

"The famine has hurt the town too. Many are poor."

"If you are telling me that there are

Continued Page XIV

### The Long View

## Why industry needs the jackals

IT IS déjà vu time, or time, almost certainly, to write about the takeover boom of 1986 in the past tense. It was not, as billed, the greatest takeover boom of all time, at least in the UK: a slightly higher proportion of total market equity was swallowed up in bids in 1985. It was, on the other hand, an historic year for international bids, and for the whole structure of the US corporate securities market, it is certainly worth a backward glance.



British and US tax reforms mean that the takeover boom of 1986 might never be repeated. But does the health of the corporate herd depend upon predators, as Darwin suggested? Anthony Harris fears that it might

rotten. The acquiring company, on average, makes no return at all on its investment. The only beneficiaries are the shareholders of the acquired company—provided they follow the old Stock Exchange rule, and take their money and run. This finding matches British studies on the industrial effects of mergers, which show that the whole is often less than the sum of the parts.

Why, then, do they do it? One family of theories is financial. Professor King has embodied them neatly in what he calls the trapped equity model, because distributions have attracted higher tax than retained profits, and capital gains a lower tax than income, shares sell at a discount to the replacement cost of real assets, and companies hang on to money they could distribute.

This habit of high reiterations seems to put American analysts into a towering rage, and they make a good case for their view. Companies which effectively have money to burn spend it on ill-judged expansion or over-priced takeovers. The worst case is the company in a still-profitable industry with a declining market. Unable to invest in its own field, it diversifies into industries it does not understand with predictably bad results.

Incidentally, when it comes to building new factories, tax incentives for investment should have just the same bad effect as excessive retentions; and more than one company director has confirmed this to me. Their worst investments were those encouraged by tax breaks, regional grants, and the rest. This is why economists have generally been much more enthusiastic than politicians or industrialists on the corporate tax reforms in the US and Britain.

In both countries, corporate taxation has been reduced by eliminating special investment incentives; and in the US, but not in Britain, capital gains are now taxed as income. This means that a board which actually has its shareholders' interests at heart should distribute profit far more generously in future, and it should also mean that the trapped equity—the margin which makes it profitable to buy assets through the takeover market—should largely disappear.

But do boards have their shareholders' interests at heart? A more cynical theory of mergers suggests that the real motivation is in the boardroom itself. One set of directors gets a bigger company and correspondingly higher salaries, the other set is consoled with golden handshakes. Altering the tax rules will not discourage this kind of self-service activity.

It might be, then, that while 1986 saw the peak of predatory, asset-stripping bids—which arguably put assets to more productive work and frighten sleepy managements into their best efforts at efficiency—undesirable, self-serving, agreed mergers, which benefit directors at the expense of shareholders, will continue. We could look back on the predators—and even on the insiders—with nostalgia. Corporate predators may help industry, just as wolves are said to help caribou, by ensuring that only the strong and healthy breed.

However, there is one gain to offset this: stock markets will become more discriminating. Takeover fever has had effect on markets: the winning strategy is to buy weak companies which become victims. If the markets are to be what they claim, and allocate funds efficiently, they must take a longer view than that: so I wish you a happy, percipient New Year.

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MARKETS

Nikki Tait looks back at a year of major change in London

Shares boom tipped

THE SWISS equity market has had a good year of it. The average share price was substantially higher than ever before...



The series of covered-warrant placements against Swiss registered shares has come to a virtual stop, at least for the time being...

Holding Companies stressed that the warrants do not entitle holders even to buy the registered shares.

Gas, Guinness and predators

EVEN A Martian, with no inkling of earthly stock markets, should not have too much problem interpreting London's progress during 1986.

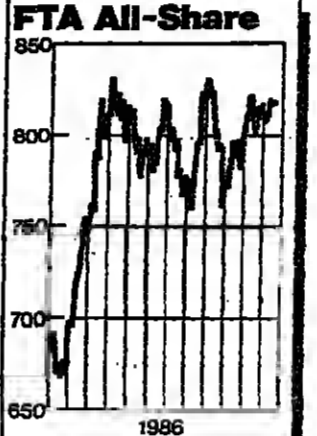
Scratching around for an immediate rationale should pose no problem, either. The year started with around £8bn of bids on the table...

slightly less bitterly contested) Hanson-United Biscuits-Imperial Group struggle. GEC's £1.2bn offer for Plessey was delayed...

testing. The stubborn defence by McCormac against the takeover of the Take-over Panel's own powers, establishing that these powers were ultimately subject to the rule of the law courts.

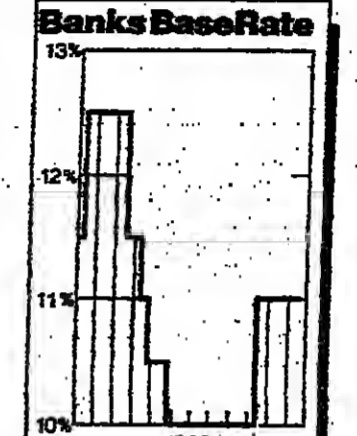
and Saatchi and Saatchi's £400m call, which subsequently helped to fund the Ted Bates deal in the US, proved the sharpest blow...

on the main market has risen some 50 per cent from its pre-October levels and, by the end of November, Smith New Court—the last of the major market-makers to maintain a sizeable floor presence—announced that it would be moving upstairs in the New Year.



All three were companies where management could point to a coherent corporate strategy and the onus suddenly shifted to bidders, to show that they could do more for their target than the target could do for itself.

At first sight, the impact of a westward shift on London's market might seem slight, limited to individual cases, like the Boots-Price acquisition, where the acquisition over the merits of the deal itself acted as a short-term depressant on the share price.



lessly stuffing small investors' pockets. No sooner was TSB successfully launched, however, than Big Bang became the market's predominant worry...

In sector terms, 1986's winners contain few surprises. The combination of a new look Fleet Street and rapid regeneration throughout the printing industry...

The Swiss economy seems set fair to keep growing in 1987... with at least some upward effect on the overall dividend level of listed companies, reports John Wicks in Zurich

overall dividend level of listed companies. At the same time, inflation and interest rates will remain very low and make share yields—now running at just below 1.9 per cent—more acceptable.

shares outstanding are held by institutional investors. SBC and other banks have been contacted by individual shareholders, but it appears that the inclusion of small-scale private participants would pose considerable organisational difficulties.

So what changed? Explanations for the next eight months' hesitation are no less self-evident. First came the growing realisation that lower oil prices would not spell instant profits, and that was promptly followed by a rash of rights issues in the second quarter.

Cotton picks up threads

Then, the cotton price was languishing at a 12-year low and there seemed little hope of a substantial recovery in the foreseeable future.

return to more normal growing conditions next year is still likely to mean a bigger world crop. "We now need a production increase and we will get it next year," he says.

One of their problems will continue to be assessing the size of Chinese stocks. Although it is now accepted that the figure of 17.5m bales talked about back in August was probably far too large, their true size remains something of a mystery.

Kenneth Marston talks to three top executives

man of London's CONSOLIDATED GOLD FIELDS, says. The mining industry's equivalent of the North-South divide is that of gold producers versus others.

look seems a little more hopeful. Following three good years of industrial demand for copper, inventories have now returned to normal and the market looks to be finely balanced.

The collapse of oil prices and the continuing realignment of major currencies against the US dollar were the two most important economic events for the mining and metal industries during 1986.

COMPANY NEWS SUMMARY

Table with columns: Company, Year to, Pre-tax profit (£000), Earnings\* per share (p), Dividends\* per share (p). Rows include Harrys & Hudson, Felsely Ltd, Moss Advert, Nash Industries, Stainless Metal.

INTERIM STATEMENTS

Table with columns: Company, Half-year to, Pre-tax profit (£000), Interim dividends\* per share (p). Rows include Aim Group, Baldwin, Balleys, Berisford's Grp, Brasway, Campbell & Arms, Dominion Int., Firth G.M., Fletcher Dennis, Forminter, Kingsrange Prod, Prentprint, Radiant Metal, Select TV, Sterling Ind, Sutcliffe Speak, Victoria Carpet, Weltman.

RIGHTS ISSUES

Bodycote International—Placing 644,441 shares at 340p.

TAKE-OVER BIDS AND DEALS

Table with columns: Company bid for, Value of bid, Price per share, Value of bid before of bid, Price per share, Value of bid after, Bidder. Rows include Barrow Hepburn, Berkeley Explan, Berkeley Explan, Bulmer & Lamb, Bredero Profss, Copson (F.), Crouch (Derek), Croux, Dalser, Dataserv, Exco Intl, Europa, Fogarty, Fothergill Harvey, Gates (F.G.), Goldsmiths Grp, Grosvenor Grp, Grosvenor Grp, Grosvenor Sq Prp, LCA Hedges, Lincoff Kilgour, Lynd & Nth Grp, Lynton Hedges, McCormac, McCormac, Norcott Hotels, Pilkington Bros, Prop Bid & Inv, Sandhurst Mkt, Simon Eng, Snowdon & Bridge, Steel Bros, Supra Group, Utd Tst & Credit, Wedgwood, Whitworth Elect, Woid.

Commodities

index—which bottomed-out at 36.55 cents a pound on August 6—above 60 cents a pound—a 16-month high. The bulk of the world's producers can make money at present prices, so traders are taking a cautious view of future markets prospects.

Richard Mooney. Despite this gloomy picture, the outlook is not totally bleak. There are solutions to the problems of the mining industry, but they involve changes in attitude and approach by the world's mining companies.

Mining

dollar, gold's alternative as a reserve asset, have caused concern within the investment community. This has resulted in the transfer of at least some portion of the profits generated by the booming stock markets into the gold market.

Yet, behind its apparent torpor the industry has been realigning and adapting to the changed circumstances. Just as the slogan "lighter, thinner, shorter, smaller" is the catch phrase for the changes apparently occurring on the demand side, so it can be applied with increasing relevance to the industry itself.

PERFORMANCE OVER 1986

Table showing performance of FT 30-Share index and its constituents over the year to date. Columns include Price on Wednesday, Change since 31.12.85, High, Low, Price on Friday, Change since 31.12.86, High, Low. Rows include FT 30 Index, ASDA-MFI, Allied-Lyons, BICC, BOC, BTR, Beecham, Blue Circle Inds, Boots, Brit Gas, BP, Cad Schweppes, Courtaulds, General Elec, Glaxo.

Richard Mooney. I am convinced we will do so again. RUDOLPH AGNEW, chair-

Even for base metals, the out-

five years ago.

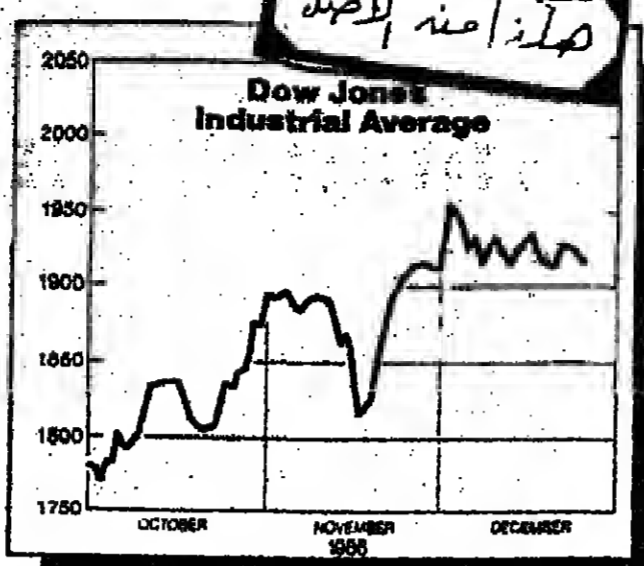
\* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already bid. ¶ Unconditional. \*\* Based on 100 pm prices to be determined. †† At suspension. ††† Shares and cash. †††† Related to N&V. ††††† Suspended.

# Doubts dilute Xmas cheer

IT LOOKS as if Father Christmas has forgotten to deliver the year's most eagerly awaited present—a round 2,000 on the Dow Jones Industrial Average before the end of 1986. And Wall Street investors have been grizzling like disappointed children ever since they started to suspect that all these juggling sleigh bells they were hearing were really just a memory from festive seasons past.

For if there is one emotion which dominates all others in the stock market at present, it is nostalgia.

The past four years have seen the greatest bull market since almost anyone on Wall Street can remember. By some



equally remarkable is the difference between the individual industry analysts' expectations and the broader views held by Wall Street economists and investment strategists.

These two were questioned in the Litch Jones and Ryan survey and came up with a median forecast of 12.8 per cent growth in S and P earnings between 1986 and 1987. Last year, also, their forecasts were less optimistic than those of the individual industry analysts. They predicted earnings growth of 11 per cent between 1985 and 1986 which questioned last December.

The crucial fact, however, is that both the analysts and the strategists' estimates of 1986 earnings growth were crucially disappointed by the actual results announced so far this year—and a very similar story can be told about the over-optimism of forecasts made at the end of 1984 for 1985 earnings.

For two years now, Wall Street has been projecting forward the extraordinary boom

# Health and wealth—for some

## Alice Rawsthorn reflects on an eventful year among the juniors

FOR THE USM, 1986 has been nothing if not an uneventful year. From the green unseal which marked the appearance of the best performing recruit to the snuff of stale cookies that wafted around one of the worst performers, the junior market has been swamped with new issues.

And if no individual sector has suffered the same trauma that beset oils and electronics in 1985, nor the boost enjoyed in that year by the marketing sector, the pace of business has been generally buoyant, leaving the Datastream USM Index to enjoy one of its healthiest years.

After a sparse period in the opening quarter the flow of new issues continued unabated, bringing the total number of newcomers to 90 by the end of the year.

Nusset of the new recruits was the US cookie manufacturer Mrs Fields, which joined the USM in May with the market's biggest flotation yet. The issue was not only the largest—it was also one of the least successful. The sub-underwriters were left with 84 per cent of the shares; yet Mr and Mrs Fields—Randy and

Debb—collected £24.5m in cash, making them the richest ever USM millionaires.

Randy and Debb were probably alone in profiting from the issue for Mrs Fields, together with Woottons Betterware, the soft furnishings manufacturer and retailer; Maroo Development, the marina operator; and Fletcher Dennis Systems, the micro-computer systems house, emerged as the worst-performing new issues of the year. Their share prices have all fallen by more than 20 per cent since their flotations.

The best-performing new issue is Glenree, the London-based agent which won a fall listing, regardless of the fact that their size made them appear better suited to the USM. Most of these companies cited concern about potential liquidity problems on the junior market after Big Bang as the rationale for their departures.

All in all, the spectre of Big Bang cast something of a shadow over the USM throughout the year, prompting a succession of prospective candidates to head for the main market.

Their concern might have been ill-founded. In the weeks since Big Bang, the turnover of shares on the USM has mustered a respectable increase of 33 per cent. The pace of growth is rather slower than that of the main market but is, nonetheless, encouraging. Initial indications suggest that while the smaller USM stocks are as sluggish as ever, liquidity might have improved for the larger, more active companies.

Meanwhile, the composition of the junior market has changed considerably. Although the stable part of 1985—in oil and electronics sectors—both stabilised towards the end of 1986, neither summited the recovery as their main market counterparts. This has left these two sectors, once among the largest on the market, with a substantially lower

### Wall Street

measures the surge in prices of both stock and bonds since the bottom of the last recession in the summer of 1982 has been the strongest performance on record.

Indeed, the only period when stock prices unquestionably rose faster across the whole range of the market was the bounce back from the nadir of the great depression exactly 50 years ago, from 1932 to 1933.

Most analysts are naturally inclined to believe that such good times will last forever. Thus, the average forecast made by 2,500 individual industry analysts for earnings growth of the Standard and Poors 500 share index in 1987 is now 21.1 per cent, according to a survey just published by Institutional Brokers' Estimates Service, which is run by Wall Street stockbroker Lynch Jones and Ryan.

The same survey conducted last year revealed an average expectation of 18.5 per cent earnings growth for 1986. However, when asked this month for their estimates of actual 1986 earnings growth, the 2,500 analysts surveyed by Lynch Jones and Ryan had to confess a likely outcome far below their sanguine expectations of a year ago—the present forecast is for earnings growth of only 3.9 per cent between 1985 and 1986.

After a disappointment like that, it might seem odd that the analysts keep churning out their optimistic earnings forecasts for 1987. But what is

# Irish eyes can smile...

Allied Irish Banks, have prospered by expanding overseas, mainly in the US. The first three have listings on the New York exchange. Investors have come to realise that companies which do not depend on the domestic—and small—home market generally have greatly enhanced prospects, and they have responded accordingly.

There has been a knock-on effect into the so-called secondaries where, again, companies with a strong presence outside Ireland come in for attention. A good example is McInerney Property. Its strength abroad enabled it to hit high on the Dublin exchange despite the deep depression that has afflicted the Irish construction industry for several years.

Exchange controls have helped push demand well ahead of supply in a limited market. Irish investors may not buy foreign stocks (leading to the anomaly that Irish people cannot buy Guinness shares) and foreign companies cannot raise capital in Ireland.

Of course, foreigners can invest in Irish companies—if they can get what they want, given the tight supply. John Bruton, the present Finance Minister, and the Stock Exchange itself are urging more companies to come to the market; they argue that with real interest rates of up to 14 per cent for industrial borrowers, it represents a sound way to raise capital. A special small companies market was set up earlier in the year to encourage this.

Foreigners may find Irish gilts more interesting. Certainly, Irish brokers and banks

ner sterling—and, to a lesser extent, the dollar—by heavy trading ties. As the British and US currencies slumped, this year, liquidity was sucked out of the Irish economy by commercial and private interests seeking cheap sterling and dollars.

Interest rates soared and export competitiveness slumped. Under great pressure, the Government sought and won an 8 per cent unilateral devaluation within the EMS at the end of August. One effect was to wipe out a foreign investor's gains from gilts.

Things were not helped when the market met to sell back its paper but met a stone wall from the Government (even post-Big Bang, it is the sole gilt market-maker) which was having funding difficulties at the time.

The episode underlined more than ever Ireland's diminished role in the world market. The Government's attempt to devalue the pound to 1985 levels, which would have meant a 10 per cent increase in the value of the pound, was abandoned. This is because the Irish pound still has one foot outside the EMS lashed to its old part-

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# Home service and extras

**Hugo Dixon looks at building societies choosing about their widening activities**

BUILDING SOCIETIES will be allowed to become more like banks, insurance companies, estate agents, insurance brokers and property developers next year.

But do not expect to find your building society engaging in all these activities from January 1 1987 or even January 1 1988. Though there is a temptation to rush into all the new businesses allowed under the 1986 Building Societies Act, like a child in a toy shop, most societies are being fairly choosy.

They must be — for two reasons. First, they have been told by their regulators that they can only offer new services if they have enough profits. Second, their profit margins are being squeezed as competition from banks and other financial institutions boils up.

The new things societies will be able to do fall into four broad categories: banking, investment, housing and insurance services. In deciding which areas to focus on, societies must judge how much the customer wants them and how profitable they are going to be.

The main argument for offering banking services, which include cheque books, cheque guarantee cards, personal loans and credit cards, is that customers want them. If they cannot get them from a building society, they will go to the bank.

There are two counter-arguments: processing all the paperwork is so expensive that societies are certain to make a loss out of cheque books; and they have no experience of personal lending so, if they rush into that market, they could land themselves with a large number of bad debts.

The main argument in favour of selling a wider range of investments, such as unit trusts and personal equity plans and shares, is that people are becoming more sophisticated in their investment choices and do not just want to stick their money in a building society account.

If societies are not to be left behind, they will have to provide these services. Commissioners from selling investments will be a handy extra when profits on their mainstream business are under pressure.

Some societies disagree. They say the strategy rests on the assumption that Britain has really become a nation of shareholders. The present euphoria about shares will not last when the bear market comes.

The societies entering estate agency are doing so for defensive reasons. Estate agents, they argue, are the first point

of contact when somebody buys a house and are increasingly offering to arrange the finance too. Unless societies buy them up, the mortgage business will go elsewhere.

Others think the costs of buying up customer networks are not justified by the benefits.

There is little argument among societies on the advantages of selling more insurance products, such as contents, holiday and fire insurance.

The Halifax is concentrating on buying an estate agency network of 200 offices, adding more services to Cardcash, its cash-dispenser card, and building 3,000 houses a year in inner cities. It also plans to sell insurance and personal loans.

The Abbey National is targeting banking services. It will offer a cheque book and guarantee card, interest-bearing current accounts, personal loans and is looking into credit cards. It will also sell insurance and, almost certainly, unit trusts and personal equity plans.

The Nationwide Anella, if a merger between the two societies happens, will have three priorities: running a 360-office estate agency network; adding more services to the Anello's cash-dispenser card; and building 2,500 homes for old people and first-time buyers.

Also important, but lower down the list of priorities, are share-dealing services, interest-bearing current accounts, unsecured lending, insurance, unit trusts and personal equity plans.

The Woolwich Equitable will be building 1,000 homes a year, mainly for old people, and selling insurance.

The Alliance & Leicester has not yet announced its plans and will not offer new services until the middle of next year. But it is expected to concentrate on developing its cash-dispenser card and insurance. At a later date, it will probably sell personal pensions and unit trusts.

The Leeds Permanent will market personal loans, cheque books and insurance. It also plans to buy some estate agents and build homes.

The National & Provincial is targeting investment and banking services. It is installing share-dealing terminals in its branches and plans to sell PEPs and personal pensions. On the banking side, it will be offering personal loans, cheque books and guarantee cards.

The Bradford & Bingley plans to market home improvement loans, insurance and PEPs.

The Britannia will gradually introduce consumer lending, share-dealing and insurance products.

The Cheltenham & Gloucester has chosen to expand into insurance and unit trusts.

The Bristol & West will be offering a share-dealing service and is building a small estate agency network in the west country.

# Better advice on the way

Eric Short reports on growing mortgage business

estate agents themselves, let alone the housebuilders, and not meeting the consumer requirements listed above.

The solution being put forward is that every point of sale—estate agency office, insurance salesman's office or the local branch of the bank or building society must have access to an estate mortgage specialist/consultant.

Such a person will specialise in the complete mortgage market and be able to recommend the most suitable mortgage facility and this will be no means always be the cheapest to meet the client's particular needs.

This does not mean that each point of sale has to have a mortgage specialist on site. The economics of running branches would preclude this from all but the largest branches. But it does mean that each branch, no matter how small—using the latest technology with micro computers—has instant access to a central information unit and, if necessary, talking to the specialist by using electronic mail facilities.

This in turn means a much higher level of training for estate agency and insurance broking staff—a feature that is coming anyway—but even high-tech is no substitute for a face-

to-face explanation. The small operator, to offer such a service, has no real alternative to pooling resources with other small operators in order to have access to a specialist firm that can provide the information. Such team operations are becoming a feature with estate agents, and independent life intermediaries will also need access to a central mortgage information source.

The second feature of the growing competition relates to product design. The days are numbered when housebuyers have separate contracts for the mortgage and the insurance element. The new-style products

will combine the two elements with the housebuyer, making one monthly payment to the mortgage lender, which in turn would pass on the appropriate payment to the life company.

One such development could take the form of the housebuyer paying a fixed monthly mortgage arrangement for a given period, say five years, after which the payment would be reviewed. The lender would deduct the appropriate interest payment, the balance being passed to the life company. It in turn would deduct the cost of life cover and expenses, the residue being invested to build

up the fund from which to repay the mortgage.

The growing use of a unit-linked contract for mortgage repayment and the development of units with profits enables life companies to be more flexible in their product design.

Whatever the future holds, it is now apparent that estate agents and their staff will have to be highly trained professionals in order to compete in this brave new world. Being trained before being let loose on the public. But training costs money and despite the commonly held view of estate agents ripping off the public, the margins of 1-2 per cent of the house price are small vis-à-vis those in the US. Estate agents' fees are going to rise if they are to provide a professional service that the law (as regards financial services) and the public demand.

# Unit trusts on the march

IN ATTEMPTING to review everything that has happened in the unit trust industry during 1986, it is difficult to know where to start. There has again been a welter of new funds. Net new investment in the industry has broken away from a plateau and scaled new heights. Performance over the year has put last year in the shade.

There have been significant new players in the industry, a spillover of corporate activity into the fund management sector, and a number of major and minor "flavours of the month" among fund sectors. Big Bang, the Financial Services Bill and the continuation of the privatisation programme, creating a completely new level of

awareness of the equity market among smaller investors.

About 150 new trusts were launched during 1986, about a fifth of them in the European sector. There are now six single-country European trusts, an idea which would have been sniggered at two or three years ago.

It was partly the result of excellent performance that total funds under management by the Unit Trust Association's member companies grew from £17.6bn at the end of September 1985 to £22.1bn for the same date this year—up 25 per cent.

Another factor in the

increase was renewed public interest: net new investment in unit trusts from January to September 1986 was £3.5bn—more than three times the figure for the same period in 1985. After a peak of interest in unit trusts at the start of the seventies, when there were around 2m holdings, the industry has been eluding out of the trough which resulted from the 1974 stock market collapse.

The main events of significance over the year, as far as UTA chairman Clive Fens-Smith is concerned, were the satisfactory agreement with SIB on the questions of cold

calling and cooling-off periods in the sales of unit trusts, and the new ability to invest in a unit trust through a PEP. Cold calling and cooling-off are now linked only in a cold calling sale will a group be required to give a cooling-off period, as for an insurance policy. The alternative which was discussed—a cooling-off period on all unit trust sales—was dreaded by the industry as a potential cause of administrative chaos.

Profile is a group which is not a member of the UTA, "though very close to it in spirit, these days," says market-

welcoming director Martin Harrison. He welcomes the greater harmonisation of commissions which he expects to take place under the aegis of the new self-regulatory organisations, and events which have focused attention on the industry, as both Big Bang and PEPs have in their way. As for the Financial Services Act, "if it does no more than raise standards in the intermediary market place, it will have achieved a lot."

We should not forget the event which is most likely to affect the industry—the publication in August of the Department of Trade and Industry's

consultative document. It proposed a wider permitted range of investments for unit trusts, including money market instruments, property and commodities, unquoted stocks, traded options and financial futures.

It also suggests allowing trusts to borrow up to 10 per cent of the fund, the abolition of bid and offer prices in favour of one mid-market price, and a minimum size below which a trust should be wound up.

On balance, 1986 has been a good year for the unit trust industry and the unitholder. It has been an eventful year, and has set in motion trends which should make 1987 even more eventful.

Christine Stopp

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# Stamp duties

PEOPLE ARE more likely to use building societies for services now offered by the post office than those offered by banks, according to a study published today by the Building Societies Association.

From next year, building societies will be allowed to diversify out of their traditional savings and home loans businesses. The survey of 2,455 adults conducted in February and March was designed to discover which new services people would like to use. The demand was not overwhelming.

Most popular were "post office" type services, 80 per cent of those asked said they were quite or very likely to buy a TV licence through a building society, if they could; 58 per cent would buy stamps; 58 per cent pay utility bills; 53 per cent buy a car licence; and 51 per cent collect pensions and child benefits.

Some "banking" type services were also fairly popular: 30 per cent said they would be quite or very likely to use building society cash dispensers; 28 per cent cheque books; 26 per cent personal loans; and 21 per cent standing orders.

Only 10 per cent would go to a building society for an overdraft and 15 per cent for a credit card. But since there are 44m adults in the country, a credit card operation by building societies might still be economically viable.

In general, the survey also showed, young people were much more likely to use new building society services than the old.

Building Societies and the Savings Market: ES, The Building Societies Association, 3 Savile Row, W1.

Hugo Dixon

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High	Low	Company	Price	Change	Gross Yield
146	118	Ass. Brit. Ind. Ord.	125d	7.5	8.5 2.1
151	121	Ass. Brit. Ind. CUS	145d	10.0	8.8 —
48	28	Armitage and Odhos	35	—	4.2 12.0 4.8
71	84	BSA Design Group (USM)	67	—	1.4 2.1 19.0
128	108	Bendon Hill House	215d	4.8	4.1 2.4 16.4
56	42	Bey Technologies	85	—	4.3 4.8 11.3
201	78	CCI Group Ordinary	133	+1	2.8 2.2 3.4
152	98	CCI Group 7.5pc Pr.	125d	—	—
288	80	Carborundum Ordinary	266	+1	9.1 3.4 12.9
84	83	Carborundum 7.5pc Pr.	80d	—	10.7 11.9 —
32	20	Frederick Parker Group	22a	—	—
125	50	George Wad	91	—	3.8 4.2 2.3
97	20	Ind. Precision Coatings	87	+1	6.7 9.8 8.7
218	147	Isis Group	147	—	18.3 12.4 0.4
126	101	Jackson Group	125d	+1	8.1 4.9 8.8
377	228	James Burrough	387d	—	17.9 14.2 10.0
105	94	James Burrough Sec Pr.	740	—	—
280	200	Record Highway Ordinary	353	—	—
100	82	Record Highway 10pc Pr.	82d	—	14.1 17.2 —
50	32	Robert Jenkins	88	—	—
41	28	Scruitons "A"	41d	+1	—
139	68	Torday and Carlisle	139	+1	5.7 4.1 8.4
370	320	Trevian Holdings	326	—	7.9 2.4 8.8
70	25	Unilever Holdings (SE)	78	—	2.8 3.6 14.4
110	47	Walter Alexander	110	—	6.0 4.8 10.8
228	130	W. S. Yeates	199	—	17.4 8.9 19.8
85	67	West York Ind. Hold (USM)	98	—	5.8 5.8 13.7

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The IC Stockmarket Letter has been assisting investors for thirty-nine years, and while longevity is not in itself proof of our success, it is certainly an indication of our continued popularity.

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By following our advice on promising New Issues you could have realised incredible profits. Backing Alex-

andra Workwear, for instance, would have earned you £3,200 for every £1,000 invested. £2,340 for £1,000 worth of shares in Park Hall Leisure.

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The table below records the performance of all new recommendations made in the second half of 1985.

It outlines what gains you could have made if you'd been one of our subscribers. We also show the losses (we don't pretend to be perfect). There are four of these out of 34 recommendations, and two are all-square. The average gain is 40.2%.

### How our selections have performed.

Company name	Rec. Date	% gain at 30.6.86	Your share value for £1,000 invested
Bessert Foods	11.12.85	+14%	£1,140
Simon Eng	4.12.85	+56%	£1,560
W.A. Tizack	4.12.85	+27%	£1,270
Amesham I	27.11.85	+38%	£1,380
Dewhurst 'A'	6.11.85	+129%	£2,290
Edbro	6.11.85	+25%	£1,250
Media Tec	20.11.85	0%	£1,000
Magnolia	13.11.85	+62%	£1,620
WW	20.11.85	+0.75%	£1,075
Bridon	2.10.85	+61%	£1,610
Bespak	30.10.85	+5%	£1,050
Chapman I	25.10.85	-10%	£900
Albert Martin	9.10.85	+31%	£1,310
Nardin Peacock	9.10.85	+16%	£1,160
Phaigum	2.10.85	0%	£1,000
Sekers	23.10.85	+130%	£2,300
Acis Jewellery	18.9.85	-57%	£540
Howden	4.9.85	+22%	£1,220
Macarthy's Pharm	15.9.85	+109%	£2,090
Raglan	11.9.85	+24%	£1,240
Sheldon Jones	25.9.85	-6%	£940
Weir	4.9.85	+34%	£1,340
British Land	7.8.85	+20%	£1,200
Brison Ex	7.8.85	+21%	£1,210
Carr Milling	23.8.85	+58%	£1,580
Foscoth	28.8.85	-9%	£900
Greenwich Res	28.8.85	-21%	£790
Greggs	7.8.85	+75%	£1,750
Lard Sec	7.8.85	+18%	£1,180
Bridlehead Stud (Share offer by Uipent)	24.5.85	+102%	£2,020
Carles	3.7.85	+53%	£1,050
Lookers	31.7.85	+75%	£1,750
TVS	10.7.85	+48%	£1,480
Walker & Homer (Cash offer)	17.7.85	+100%	£2,000

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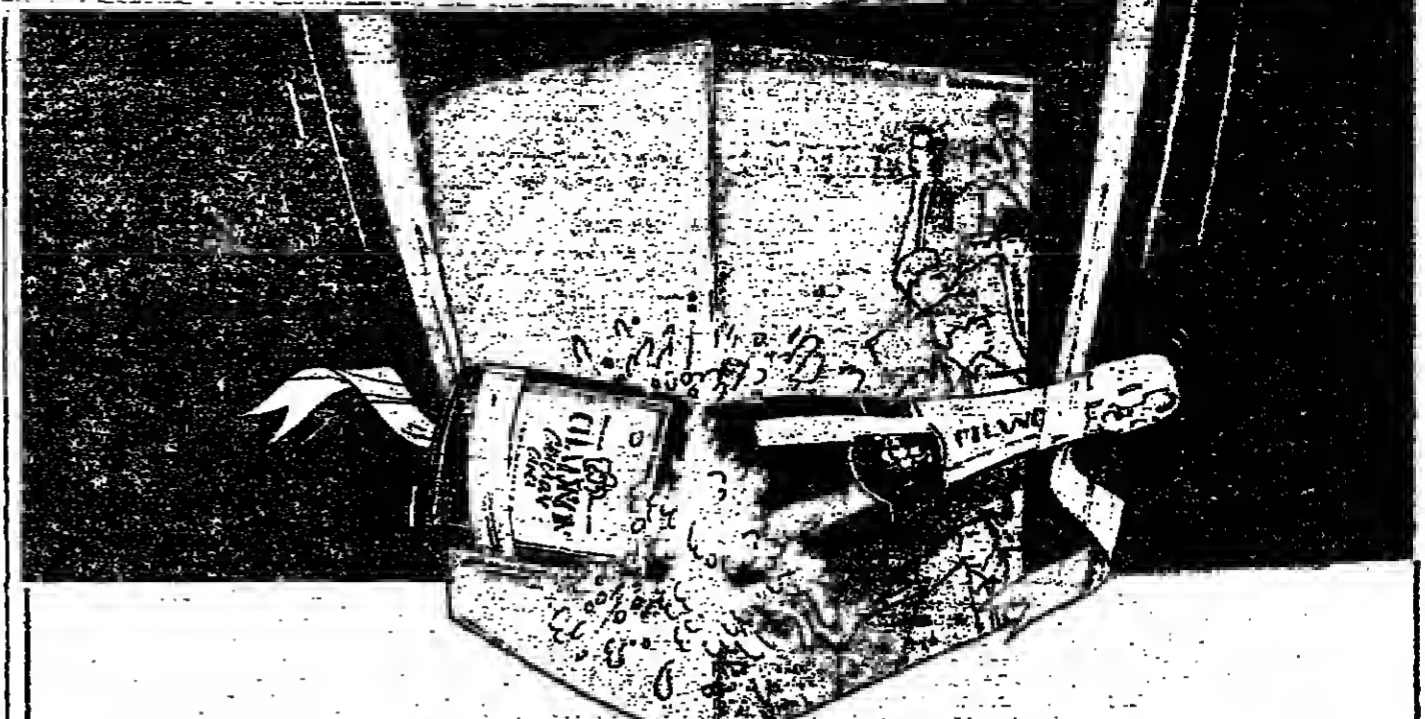
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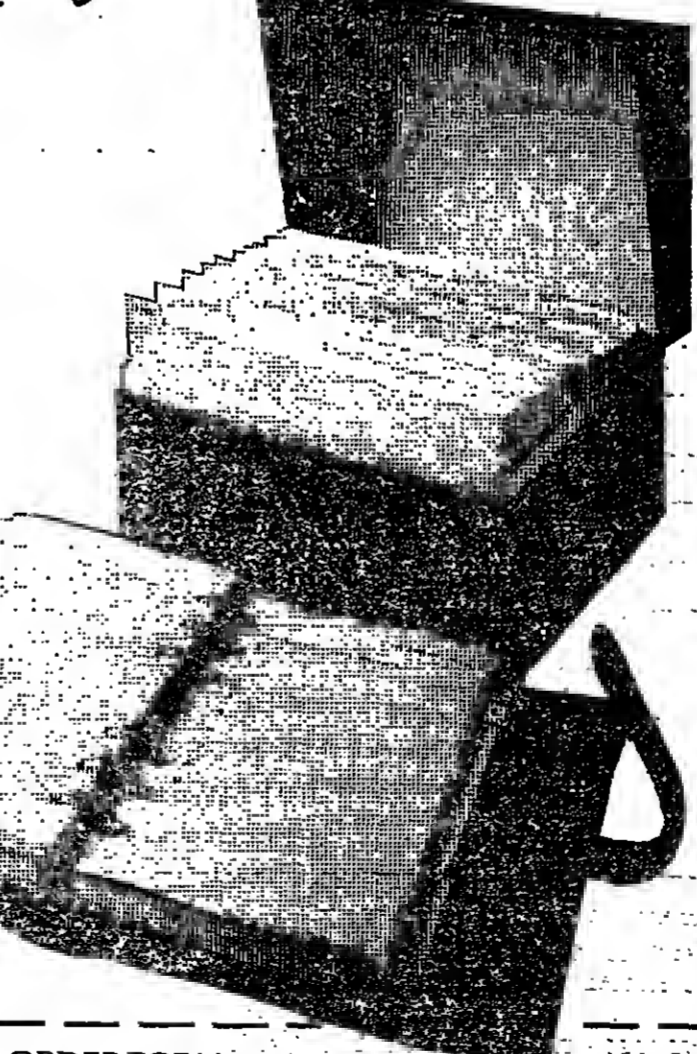
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# An offshore wife

I am resident in the UK but not domiciled in the UK and my wife is also resident and presumably has her domicile as she has not applied to revert to her UK domicile of origin.

I keep my non-UK investments and income in Jersey or Germany where I previously worked and have reinvested the income offshore.

I have just read that I can transfer funds to my wife's account offshore and she can then remit the funds to her account in the UK without either of us incurring tax liability on the transfer. This provided the funds are not used to pay my debts or for housekeeping but are used purely for her own benefit with no benefit to me. Is this correct?

What is the position on my death when my wife inherits my offshore investments? Can she transfer the lot to the UK without tax?

We are a little puzzled that you say that your wife "presumably" shares your (unspecified) domicile, as a deemed domicile of choice under section 1 of the Domicile and Matrimonial Proceedings Act 1973. Has your wife's domicile not been agreed by the Inland Revenue?

Before you start planning do-it-yourself tax avoidance, we recommend you to consult a solicitor on the question of your wife's domicile (and maybe your own). The solicitor will be able to give you general guidance on the effectiveness of the gifts which you are contemplating, subject to the laws of the countries in question.

## Higher rate relief

Being in excess of £30,000 my mortgage was not originally transferable to the Miras scheme. My bank, the lender, has recently written to me stating that, subject to IR approval, the amount up to £30,000 can be brought into the scheme. I am a higher rate tax payer and concerned that by losing my present mortgage interest allowance my tax will be increased by pushing me into a higher tax band. Is this right?

It is a pity that you missed all our articles about the Miras scheme, as you would

have been saved some unnecessary worry. You will continue to get higher-rate relief through your PAYE coding; the allowance for mortgage interest in your coding notice will simply be reduced to exclude basic-rate relief. Ask your tax officer for the free explanatory leaflet on Miras: IR65.

## Back to the old country

I am a non-resident of 18 years' standing and expect to return permanently to the UK in the next few months.

I read, about a year ago, that it is necessary for returning expatriates to avoid having "a continuing source of overseas income", since the Revenue might tax them "on the previous year's income, even though they were non-resident at the time." It was concluded that such potential traps should be held before return.

Does this still apply? A non-expert friend tells me that it is no longer necessary to sell before return, and that, if my wife retains her offshore high-interest cheque account, she will not pay UK tax on interest added after the date of return but not on early accretions.

If he is wrong and, if the nonsense continues in force, would it be enough to switch the account from her name to mine shortly before return? Or should I close the account and open a UK one with the same bank? Or must I close the account and leave the money in a non-interest-bearing current account for a few days until I am "safely" resident?

If you were a regular reader of our Briefcase column, you would know that your friend is wrong—because you would have found out the basic facts by writing to the Inland Revenue Public Enquiry Room, West Wing, Somerset House, Strand, London, United Kingdom WC2R 1LB, for a copy of the free booklet which we have consistently recommended over the years: IR20—Residents and Non-Residents: Liability to Tax in the UK. The 1986 edition states the law and practice up to last May, and is still substantially reliable. When writing for a copy of IR20, you may also like to ask for a copy of IR35—Bank Interest: Paying Tax.

Why are you anxious to avoid

an assessment on the preceding year basis? If the only reason is that you expect the rate of interest to fall by the time you arrive in this country, then your wife merely has to close her account before the end of the tax year April 5 in which you become resident here. If her account is active, the UK tax inspector will probably agree to make all the assessments upon the current-year basis anyway, to save him the administrative burden of applying the commencement and cessation rules to each pound deposited or withdrawn—which is what Parliament has decreed, as was confirmed by the Courts many years ago (in *Hart v Sangster*).

If, however, the account is not in sterling, then it will probably be best for it to be closed before the beginning of the tax year in which you expect to become resident here—in order to reduce the potential capital gains tax liability on subsequent withdrawals—if the currency in question is one which has appreciated against sterling since the account was opened.

The reply is based upon the assumption that both you and your wife have an English, Scots or Ulster domicile of origin.



## A place for the parents

My wife and I live in our own home (no mortgage) in the Midlands. I have ageing parents living in the north. They are both incapacitated to some extent and their present home is quite unsuited to their needs, as is its location. Their only income is the state pension.

They would like to move to a single storey accommodation in a town on the south coast where they already have close friends and with which they are familiar. They would not have those advantages if they were to move to live near us. A property suitable for their needs there will cost approximately £80,000 which is twice as much as they might expect to raise from the sale of their present home, and we are in a position to make up the difference. Although we could fund this from capital we would prefer to leave our investments intact.

Would my parents qualify as "dependent relatives" in this instance so that we could obtain a mortgage with tax relief to fund their house purchase, even though they will not be living nearby? Alternatively, do you have any other suggestions that will help us to help them in a financially efficient way?

If you ask your tax inspector for the free pamphlets IR11 (1985)—Tax Treatment of Interest Paid—and CGT4 (1983)—Owner-occupied Houses—you will see that your parents should indeed qualify as dependent relatives, both for interest relief and for CGT relief. Since your parents will presumably be using the services of a solicitor, even if you decline not to, it makes sense to seek the solicitor's guidance on the tax aspects etc., subject to the solicitor's views. It looks best to have the new hanglow conveyed to you all as tenants in common (rather than as joint tenants).

# David Cohen on gains from executive share options

## Timing is all-important

ALTHOUGH an executive share option is potentially the most attractive of all perks, its ultimate value will obviously hinge on how the share price performs. But there is one stage in a company's development when share options can produce virtually guaranteed gains—the period before a flotation on the Stock Exchange.

The 1984 Finance Act introduced a new type of executive share option scheme. Provided the scheme is approved by the Inland Revenue, participants avoid the usual income tax charge on exercise of options and pay only capital gains tax.

As a condition of Revenue approval, the exercise price, which has to be stated when the option is granted, must not be less than the market value of the shares at that time.

The share price of a company quoted on the Stock Exchange is automatically taken as market value. But private companies wishing to grant options have to negotiate a value with the Share Valuation Division (SVD) of the Inland Revenue.

There is no magic about these pared-down figures. Joining the Stock Exchange transforms the value of a company's equity. As anticipated increases in value are bound to occur. But until dealings actually commence there is always the possibility that an unforeseen hitch or change of mind may cause a late withdrawal.

An outside investor, offered shares in a soon-to-be-flotated company, would demand a hefty discount to reflect the risk that the company will remain private. The Revenue has no choice but to apply the same logic to share option values.

The effects of this are most dramatically illustrated by considering the largest of the five recent new issues, Richard

Branson's Virgin Group.

So a company planning to go public which has decided to issue options has to make a decision on timing. If it defers the options until flotation market forces will determine the subscription price. The alternative is for options to be given out in anticipation of flotation at a price fixed with SVD.

Valuation of a private company will depend upon the precise circumstances in each particular case. But all the evidence suggests that companies which grant pre-flot options can do so at considerable discounts to flotation values.

The table gives details of pre-flotation options granted by 20 companies which have come to the market since the beginning of last month. Comparison with the public offer price shows the extent of the discount achieved. Although the length of time between option grant and flotation is obviously a crucial factor, even with an interval of less than a fortnight two of the companies were able to agree discounts in excess of 40 per cent.

Suppose Virgin executives had been granted their options on flotation at 140p per share. Any benefit from the options would have been wholly dependent on a rising share price in future years.

But having been invited in three months earlier at 22p, the optionholders stand to gain handsomely if the price stays static or even declines somewhat. An unchanged price of 140p will produce a 338 per cent gain and even a halfway decline to 70p would leave a healthy 218 per cent margin.

The only possible drawback for an executive is that if the flotation is cancelled he may have used up his option limit (the greater of £100,000 and four times salary) and then miss the chance to get even cheaper options. But if the company is prepared to co-operate the old options can always be cancelled. The Revenue have no objection to this. Institutional investors do object—but if the company is staying private then it can probably afford to ignore their views.

If the advantages of early options are so clearcut, why is it that most companies still keep their executives waiting until flotation or later?

The most obvious answer is that any extra benefit to optionholders is at the expense of the original shareholders of the company. In theory at least, the existence of out-price options will reduce the amount which the stock market will be pre-

pared to pay for the company. But in practice companies with options rarely exceed 5 per cent of share capital so that the overall impact is likely to be minimal.

Another argument is that cheap options, if they are likely to blunt the financial incentive effect of share options, will reap substantial gains on a profits standpoint but be less motivated to do anything more ambitious.

But the commonest reason for delay is for more precise. Most companies are simply not ready in time.

Options cannot be granted until the scheme has been formally approved by the Revenue. The approval process usually takes about 20 working weeks from start to finish. Then, after the scheme itself has been approved, the price has to be agreed before options can actually be granted. This can take a further two to three weeks.

Pre-flotation options are the best opportunity a company is likely to have to present its management with substantial sums, free of income tax, to grasp the opportunity. Advance planning is essential. As the table shows, in the run-up to a flotation every week counts.

### RECENT PRE-FLotation EMPLOYEE SHARE OPTIONS

Company	Flotation	Grant of Options		Percentage Discount
		Date	Price	
Virgin Group	10th November	140p*	4th August 22p	84.5
S. Daniels	11th November	130p	29th October 75p	42.7
Halls Homes & Gardens	24th November	85p	29th April 37p	61.1
Northumbrian Fine Foods	1st December	60p	21st November 45p	25
Wilding Office Equipment	5th December	135p	10th November 80p	40.7

\* striking price on offer by tender

## BRIDGE

CHRISTMAS and New Year greetings to all my readers. I offer you two no trump contracts, which the declarer failed to make. The first comes from teams of four.

N

♠ J 4 2  
♥ Q 6 5  
♦ 8 5  
♣ Q J 10 9 3

W

♠ 7 5 3  
♥ K 6 4  
♦ K 9 7 3  
♣ K 6 4

E

♠ Q 10 9 6  
♥ 8 2  
♦ J 10 7 5  
♣ A 5 5

S

♠ A K 8  
♥ A 10 5  
♦ A Q 8 2  
♣ K 8 4

With North-South game, South dealt and bid two no trumps, and North's three no trumps ended the brief auction. West led the seven of hearts, dummy played low, and South took East's eight with his ten which was returned with his ace.

West played the seven, was allowed to hold, and when West completed the peter on the next clubs, East held up again.

Waking up to the fact that the club suit was a frozen asset, the declarer switched to diamonds, leading dummy's eight. East played the knave, and South's queen lost to the king. West returned the seven of spades, dummy played low, and East's nine was taken by the ace. South exited with his last club to the ace. East returned the two of hearts, and South took his ace. He cashed his spade king and cut adrift with the eight. East made two tricks in the suit, cashed his ace of clubs, and led the three of diamonds.

South successfully finessed the nine, and made his ace, but went one down.

The declarer went wrong at trick one. The Rule of Eleven tells him that East holds no heart higher than the queen. He should create an entry to dummy by winning the first trick with the ace of hearts. He

plays on clubs, forcing out the ace on the third round, and now he cannot be prevented from entering dummy to enjoy the established clubs.

The second hand is from rubber bridge:

N

♠ A 6 5 3  
♥ 8 5 2  
♦ A Q J  
♣ 8 7 2

W

♠ Q 8  
♥ Q J 9 7 4  
♦ 9 5 4  
♣ J 3 3

E

♠ J 10 9 2  
♥ K 10  
♦ 7 6 5 2  
♣ Q 6 4

S

♠ K 7 4  
♥ A 6 3  
♦ K 10 8  
♣ A K 10 9

South dealt at a love score and opened with one no trump, and North's raise to three no trumps was followed by three passes.

West led the queen of hearts, and East was smart enough to unblock with his king. South allowed this to win, but he won the ten which was returned with his ace.

There were eight tricks on top, and the declarer decided to look to clubs for the ninth, so he cashed his ace.

This pseudo-safety play cost him his contract, because East unblocked his queen—he really was in form—and now clubs could not be developed without letting West into the lead. Frayvog that East had started with queen, knave doubleton, the declarer played his king of clubs. But the prayer was not answered; defeat was his portion.

The declarer must assume that East holds the club queen with two or three low cards. At trick three he should cross to the knave of diamonds on the table, and return a club to his king. He crosses again to the diamond queen, and leads another club, playing the ace, and a third club establishes the suit with East in the lead. Now South has nine tricks.

Of course, if East plays his queen on either lead, he is allowed to hold the trick.

E. P. C. Cotter

ONE ASPECT of the Social Security Act 1986 which has so far received relatively little publicity is that proposing changes to widows' benefits, due to take effect from April 1988. A major change is the replacement of widow's allowance — now paid weekly for six months — by a single lump of around £1,000.

The main losers will be younger, childless widows who will not qualify for either widow's pension or widowed mother's allowance. From April 1988, both these benefits will be paid immediately on bereavement, instead of after 26 weeks as is now the case. But widows who are not eligible for either of these benefits will lose out by nearly £16 a week (at present benefit rates) because of the cut in widow's allowance. Nor will the new lump sum payment be updated annually.

The allowance now is normally paid for the first 26 weeks of widowhood to women under 60 but is also payable to women over 60 if their husbands were not receiving retirement pension. Entitlement depends on the husband's national insurance contribution record; he must either have paid Class 1 contributions (in any one tax year after April 6, 1975) of at least 25 times the lower earnings limit (or 25 flat-rate Class 2 or 3 contributions) or else have paid 25 Class 1, 2 or 3 contributions in any one tax year after April 5, 1975.

## Widows who are still losers

The rate of widow's allowance is £54.20 a week, plus £8.05 a week for each dependent child. It should be claimed within three months of bereavement and backdated to then.

Widows who are expecting their late husband's child, or have at least one child (of the family) under 19 living with them, should be transferred automatically to widowed mother's allowance after 26 weeks on widow's allowance. To qualify, you do not necessarily have to be getting child benefit so you can, for example, still be eligible if the child is between 16 and 19 and at work.

Again, entitlement depends on the husband's contribution record but this time covering his working life — the same as for retirement pension, whichever is higher.

Under the changes proposed in the Social Security Act — which are not actually due to take effect until April 1988 — widowed mother's allowance will be paid immediately on bereavement on top of the lump sum. But women who do not receive child benefit will no longer be able to qualify as they do now.

Under the present rules, what happens to women who are not eligible for widowed mother's allowance? Those widowed aged between 40 and 65, and who have no dependent children, can claim widow's pension after the 26-week period and it is also payable to women who did receive widowed mother's allowance but whose entitlement has ended.

For women aged 50 or over at the time of bereavement, the basic rate of weekly payment is £38.70. But for those under 50, the pension is reduced by 7 per cent for every year below that age. An earnings-related addition is also payable, depending on the husband's contributions record. Widow's pension is paid up to the age of 65 unless you retire after 60, when it is normally replaced by retirement pension.

The Act contains another cut regarding this part of widow's benefits. The age of entitlement will be increased from 50 to 55 for full widow's pension, and from 40 to 45 for the reduced rate. It is a direct reduction which will affect thousands of women.

A common feature of all

existing widows' benefits is that they are taxable, except for the additions paid for children. They are also counted as an income resource when calculating entitlement to supplementary benefit—and they will all qualify you for the £10 Christmas bonus.

All widows' benefits end if you re-marry, and they are suspended if you live with a man as husband and wife. If your benefit is stopped for this reason, and you want to appeal, you should seek advice from a welfare rights office or Citizens Advice Bureau.

As far as funeral expenses are concerned, the existing death grant of £30—now available to all—is being abolished from April 1987. It will be replaced by help through the new social fund for people on supplementary benefit, family income supplement and housing benefit.

The time of bereavement is a very difficult period to start finding out about benefit rights. Do seek advice from your local Citizens Advice Bureau or dial 100 for DHSS Freephone.

Linda Lennard

Further information available from DHSS inside NP 25 (Your Benefits as a Widow for the First 26 weeks) NP 26 (Your Benefits as a Widowed Mother) and NP 27 (What to do after a Death). These are the national organisations for widows—see page 8 for address. NP 25, 26 & 27 are available from bookshops or from DHSS, price £3.90 (published by Age Concern England).

THOSE WHO MADE £40,000 BY INVESTING WITH HENDERSON IN 1974 SHOULD SIGN HERE.

THOSE WHO DIDN'T SHOULD SIGN HERE.

To: Vicky Law, Henderson Unit Trust Management Ltd., FREEPOST, London EC2B 2LJ.

I am one of those who had £500 invested in each of the 10 unit trusts listed below, in October 1974, and still hold those investments. I am delighted that I am now £40,000\* better off.

HENDERSON CAPITAL GROWTH TRUST • HENDERSON FINANCIAL TRUST  
HENDERSON INCOME AND ASSETS TRUST • HENDERSON HIGH INCOME TRUST  
HENDERSON INTERNATIONAL TRUST • HENDERSON EUROPEAN TRUST  
HENDERSON GLOBAL RESOURCES TRUST • HENDERSON AUSTRALIAN TRUST  
HENDERSON JAPAN TRUST • HENDERSON NORTH AMERICAN TRUST

Please send me my complimentary bottle of vintage port to celebrate the success of my vintage portfolio.

Name \_\_\_\_\_  
Address \_\_\_\_\_

\*Offer to bid basis, net income added to I.L.L.86.

HENDERSON UNIT TRUST MANAGEMENT LTD

To: Vicky Law, Henderson Unit Trust Management Ltd., FREEPOST, London EC2B 2LJ.

I didn't invest in Henderson's 1974 vintage portfolio and I would like to take this opportunity not to make the same mistake again. Please send me details of the various investment opportunities available from Henderson.

Name \_\_\_\_\_  
Address \_\_\_\_\_

HENDERSON UNIT TRUST MANAGEMENT LTD





# Weekend FT Quiz for 1986

Compiled by Anthony Curtis from questions set by Nigel Andrews, Philip Coggan, Clement Crisp, Gillian Darley, Chris Dunkley, John Edwards, Glyn Genin, Martin Hoyle, and Malcolm Rutherford

There are no prizes but turn to page XIII to find the answers, your score and grading

### PHOTO NEWS

- a The Bermudez team at the Commonwealth Games. They made their biggest ever impact. How many gold medals did they win?
- b A deity died to set before a Queen: what was it; and where?

- c The figure on the left is Derek Hutton at the Labour Conference at Blackpool, refusing to address the Conference. Who is the person with him?
- d Rupert Murdoch getting a whopping big kiss from his moll after he had acquired his father's old newspaper. What is its title?

- e Crew and staff of the QE2 pose for a final picture before making an historic crossing of the Atlantic. What will be different when they next assemble on deck?
- f The lad on the bicycle knows the name of the most famous building in Reykjavik where Reagan and Gorbachev met. What is it?

- g Scenes like this led to a change in the law of . . . What?
- h Which bell was moved this year; to whose new offices; carried on an oar belonging to which City company?

### CITY & TOPICAL

- 1. Chaps
  - a Who was the apply named Compliance Officer at Morgan Grenfell?
  - b Who is the Chairman of the Stock Exchange?
  - c The Chairman of the Securities and Investment Board?
  - d Which stout man refused to take a chance and found himself in hot water?
  - e Who refused to take the biscuit and went up in smoke?
  - f Which City editor made a declaration of independence?
  - g Who was Ivon the Terrible, and why did he suddenly burst out singing?

- 2. Play It Again
  - a Which company was taken over by Claymont during 1986?
  - b Which company's debut on the stockmarket was delayed in November because of a claim against the chairman by his uncle?
  - c Which company was taken over by Gerald Ratner during 1986?
  - d Which chairman of a publicly quoted property company grows orchids?

- 3. Initials
  - a What do the following abbreviations stand for?
  - b Topic
  - c Taurus
  - d Which four letters from the ancient world are used to describe the different types of stocks traded post-Big Bang on the London Stock Exchange?

- 4. Boys and Girls
  - a Are there any collogues at Oxford or Cambridge which do not admit male undergraduates? If so, name them.
  - b Who in future will decide about sex education in schools?
  - c Is corporal punishment to be banned next year in any of the following: independent schools; state schools; children's homes?

- 5. Our Man
  - a At which sports did the following represents England this year:
  - b T. Butcher.
  - c I. Potter.
  - d P. Barber.
  - e C. Boxer.

- 6. Obliter dicta
  - a Who said last year: "You are the worst umpire I've ever seen in my life. You'll never play one of my matches again."
  - b "I swung the club, saw the ball pop in the air, saw it land and go in the hole and I don't remember the last time I was so stunned."

- 7. Quotations
  - a On which programme would you have heard:
  - b Let's do it in them before they do it to us.
  - c The grass is too long for our lads.
  - d You're an intelligent woman — and so is your husband.
  - e I shoot cats. Cats-boots are good fun. Dogs are more bloody use than women.
  - f There's nowt wrong with animals, just bloody people.

### TELEVISION

- 1. Greek Parke
  - a In which series did Smilke turn Tory?
  - b In January 1986 BBC started a series about the perils of spaceably earth: what was its title?
  - c In 1978 ITV produced a Howard Brenton play about Northern Ireland; what was it called?

- 2. Number Titles
  - a How many sovereigns for Sarah?
  - b How many of us?
  - c How many bathtubs?
  - d How many up and how many down?
  - e How many minutes on BBC?
  - f How many minutes on Channel 4?

- 3. Diurnal
  - a Of which television chairman could it most accurately be said: "You are the one, taking into account the preceding line of the song?"
  - b From what to what shall we be having the chance to see television chairman Robert Kilroy-Silk?
  - c What length of time is covered by the Channel 4 programme now chaired by Robert Kee?

- 4. Trios
  - a Name three 1986 series:
  - b Dramatislog the world of medicine;
  - c About Fleet Street;
  - d Which featured "Love" in the title;
  - e Which titles exemplified the fashion for female assertiveness.

- 5. Birthdays
  - a What anniversary was celebrated in 1986 by:
  - b BBC Television;
  - c What The Papers Say;
  - d The Money Programme;
  - e Survival;
  - f The Eurovision Song Contest.

- 6. Clothes
  - a Who took off his sweater, put on a suit, and abandoned the sofa?
  - b Who was seen on the news wearing trousers under her frock and sitting on the floor?
  - c Who assured the interviewer that she wore Marks & Spencer underwear?

- 7. Quotations
  - a On which programme would you have heard:
  - b Let's do it in them before they do it to us.
  - c The grass is too long for our lads.
  - d You're an intelligent woman — and so is your husband.
  - e I shoot cats. Cats-boots are good fun. Dogs are more bloody use than women.
  - f There's nowt wrong with animals, just bloody people.

### CINEMA

- 1. Colourful
  - a Which film was nominated for 11 Oscars this year and failed to win any of them?
  - b Which was the first film to reach Britain on video "colorized"?
  - c Who was the veteran British director who pub-

- lished his autobiography this year and what colour were his shoes and his Narcissus?
- d Name the supernaturally-titled stage works, all seen in 1986, where:
- a Dead Elvira returns to earth to harass her former husband and his second wife;
- b Young Oswald dies in his mother's arms from an inherited disease with the cry, "Give me the sun!"
- c An opportunistic actor sells out to the Third Reich;
- d Masked maestro steals song-stress to inculcate coloratura in sewer studio;
- e Our Lady, St Jude and Mary Magdalene counter a less welcome visitor who appears through a wardrobe to lead the daughters of a West London household astray.

- 2. Bardology
  - a Who directed a version of the Lear story in Japanese and what was the title?
  - b The National Theatre's present King Lear starred in what movie this year?
  - c Which French director was announced at Cannes as going to direct King Lear?
  - d Which performer from the RSC arrived in movies this year via a painting by Leonardo da Vinci?
  - e Which Italian director published his autobiography this year and out of which Shakespeare plays has he made movies?

- 3. The Fault Lies not in our Stars
  - a A number of stellar persons, both established and still rising, illuminated the London theatre in 1986. Name the plays in which the following appeared:
  - b Jack Lemmon;
  - c Albert Finney;
  - d Sir John Mills;
  - e Raye Dunaway;
  - f The next James Bond.

- 4. Clobbering the Classics
  - a As usual, the classics were not exempt from the deprivations of writers and directors. The year provided both new examples and reminders:
  - b Which vengeful sorceress was, in various productions, seen as a white woman in a black society and as an Asian in a white society before changing sex north of the border?
  - c Which obsessive granddigger had her story retold as The Riot Act by a contemporary poet?
  - d Northern playwright Henry Livings clapped a classic in the jug at Stratford East. What was the original?
  - e Which treatment of a Greek myth, produced in wartime Paris, was later accused of being an apologia for the occupation?
  - f According to whose diabolical mechanics did Maggie Smith have a tragic mother's day on stage this year?

- 5. In Celebration
  - a Whose violent death 50 years ago was commemorated by remarkable productions of two of his plays in Edinburgh and one in London?
  - b The 21st anniversary of the death of which writer was marked by the anthology Let Us Go There, You and I, while a revival of his most famous play was seen in the West End?
  - c The centenary of whose birth has been lovingly remembered by the Theatre of Comedy?
  - d Which Swan was successfully hated in the Midlands?
  - e How did a famous actor, a bureaucrat and a former chairman of the Battersea Dogs Home share a tenth birthday in 1986?

- 6. Incognito
  - a Who were:
  - b Dinglef?
  - c Milk Cherrytoes?
  - d Serge Pantz?
  - e The Girl with Enamel Eyes?
  - f Frederick Austerlitz?

- 7. The Rieb Full Life
  - a Who, on stage, in a ballet:
  - b Tried to kill herself by "hitting her head against a table"?
  - c Was urinated on by a poodle?

- Forgave her husband for rapping a young girl?
- b On a gymnasium horse?
- c In a carriage decorated with vultures?
- d By means of an umbrella blown inside out?

- 4. Transports of Delight
  - a On a hospital bed?
  - b On a gymnasium horse?
  - c In a carriage decorated with vultures?
  - d By means of an umbrella blown inside out?

- 5. Unnatural History
  - a This year the FT dance criticisms recorded the following matters in which ballets:
  - b Who said to whom "Tis the eye of childhood that tears a painted devil"?
  - c Who said to whom "Peter Quint, you devil!" near the end of what story?
  - d Who said of whom that he was "of the Devil's party without knowing it"?
  - e Who wrote The Devil's Dictionary?

- 6. Glittering Prizes
  - a Who won the Nobel Prize for literature this year?
  - b When was the last time a British writer won it?
  - c Who was the last Swede to win it?
  - d Who won this year's Prix Goncourt?
  - e What is the Smarties Prize?
  - f Who won it this year?

- 7. ART AND ARCHITECTURE
  - 1. Highs
    - a What was the record sum rebbed at auction this year for an impressionist painting?
    - b What was the painting and who painted it?
    - c What former railway station was opened as a museum this year?
    - d What anecdotal structure cost £600m to build and is 200 storeys high?
    - e What building in a capital city has 900 rooms, 12 miles of corridor and is now for sale?
    - f This year the Department of the Environment added to the list of buildings of special architectural or historic interest one K1, five K2s, one K3 and one K4, all involving communication. What are they?

- 2. Starters
  - a Can you identify the opening words of some well-known works of modern fiction?
  - b Now it is the autumn again; the people are all coming back. From the window all that could be seen was a receding area of grey.
  - c From my window, the deep solemn massive street, cellar shops where the lamps burn all day . . . well begin with Helen's letters to her sister.
  - d "They made a silly mistake, though." The Professor of History said . . .
  - e This was the afternoon of my 51st birthday, and I was in bed with my catamite when Ali announced that the Archbishop had come to see me.

- 3. More Than Kin
  - a A.S. Byatt has a sister who writes novels. What is the sister's name; the title of the sister's last book to be published; and the title of A.S. Byatt's last novel?
  - b This year an 80-year-old grandmother and one of her granddaughters both published works of non-fiction. Who were they, and what were the titles of their books?
  - c A nephew published the first volume of a life of his uncle, an eminent English poet. Names of both, please.
  - d What famous British writer of mystery stories had a brother-in-law in the same line of business, who also created a legendary character in the annals of

- 4. End Games
  - a The Last Days of the Beech.
  - b The Last Days of Pompeii.
  - c The Last of the Mobsians.
  - d Last Post.
  - e Last Things.
  - f Unto This Last.

- 5. Title Deeds
  - a The following quotations are also the titles of novels published this century. Give first the author of the quotation, then the author of the novel.
  - b After Many A Summer.
  - c Oh how the wheel becomes it!
  - d That Hideous Strength.
  - e Dusty Answer.
  - f All Passion Spent.
  - g Tender is the Night.
  - h Bright Day.
  - i The Garish Day.

- 6. Diabolical
  - a Give the title of this year's Booker Prize winning novel.
  - b Who said to whom "Tis the eye of childhood that tears a painted devil"?
  - c Who said to whom "Peter Quint, you devil!" near the end of what story?
  - d Who said of whom that he was "of the Devil's party without knowing it"?
  - e Who wrote The Devil's Dictionary?

- 7. Ballet
  - 1. Married Bliss
    - a In which ballet does:
    - b The hero marry a 120-year-old woman?
    - c The hero betroth himself to the daughter of an owl?
    - d The hero watch his fiancée going off to marry another man?
    - e The hero fire a revolver at his bride?
    - f A girl lose her fiancée to a fairy?
    - g The hero see his fiancée strangled?
  - 2. Incognito
    - a Who were:
    - b Dinglef?
    - c Milk Cherrytoes?
    - d Serge Pantz?
    - e The Girl with Enamel Eyes?
    - f Frederick Austerlitz?

- 3. Rieb Full Life
  - a Who, on stage, in a ballet:
  - b Tried to kill herself by "hitting her head against a table"?
  - c Was urinated on by a poodle?

- 4. Bohemian
  - a Whose Torso was Laugbing?
  - b Who sculpted it?
  - c Who wrote her biography published this year to accompany what event?

- 5. Absent friends
  - a Among original-language productions at the Royal Opera, which:
  - b Had announced two native singers, but opened with only one?
  - c Opened with one native singer, but ended with none?
  - d Had a conductor of the right nationality, but no native singers?
  - e Which English National Opera productions have boasted:
  - a A working limousine?
  - b A derelict limousine?
  - c A lot of wrecked cars?
  - d And who produced them?

- 6. Regrets
  - a Who were:
  - b The Wigmore recitalists who sang two songs and then left?
  - c The pianist-conductor who declined to play with one London orchestra for the fee offered, but accepted the conductorship of another?
  - d The composer who failed to complete for the Proms a piece begun in 1975?
  - e The Festival audience who hoed all the sopranos in Don Giovanni at 1.30 in the morning?

- 6. Philipes
  - a Tom Phillips illustrated and translated:
  - b A father and a son jointly wrote a travel book about America in 1986. Who were they? and the title of their book?
  - c What does A Humantment consist of?
  - d What other art-form has it inspired him to attempt?

- MUSIC
  - 1. Organic
    - a Which string quartet performs in sci-fi garb?
    - b Whose After Dark includes a part for oxygen-bottle?
    - c Which new opera featured a Pope, nude singers and AIDS?
    - d Who wrote La maschera nuda, and where was it revived?

- 2. All-in-all
  - a Who has been playing:
  - b All the Cherubini quartets in Cheltenham?
  - c All the Shostakovich quartets on the South Bank?
  - d All the Mozart piano concerti in Tokyo?

- 3. Vocal
  - a Which straight actor sang "Celeste Aida" in the West End?
  - b Which television comic sang "Titwillow" at the Coliseum?
  - c Which tenor created a fresh Pong at the Royal Opera?
  - d Which new opera had a chorus of sheep?

- 4. Stagey
  - a Which plays about real composers were seen this year at:
  - b Wyndham's Theatre?
  - c The Lyric, Hammersmith?
  - d The Old Vic?
  - e And for good measure, who were the composers playing a piano duet in an earlier Old Vic show?

- 5. Opi
  - a Whose concerto was premiered in the Orkneys, and who was the soloist?
  - b Whose Orion over Farnie was heard at a Prom?
  - c Who played the "Scottish" Symphony at a Prom?
  - d Which new chamber piece depicts a drunken Scottish funeral?

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  - b Who sculpted it?
  - c Who wrote her biography published this year to accompany what event?

- 10. End Games
  - a The Last Days of the Beech.
  - b The Last Days of Pompeii.
  - c The Last of the Mobsians.
  - d Last Post.
  - e Last Things.
  - f Unto This Last.

- 11. Title Deeds
  - a The following quotations are also the titles of novels published this century. Give first the author of the quotation, then the author of the novel.
  - b After Many A Summer.
  - c Oh how the wheel becomes it!
  - d That Hideous Strength.
  - e Dusty Answer.
  - f All Passion Spent.
  - g Tender is the Night.
  - h Bright Day.
  - i The Garish Day.





BOOKS



Awards and Prizes in 1986

Jacqueline Shorey looks at a year rich in rewards for some authors

THE MAIN literary award winners of 1986 were as follows: The Nobel Prize for Literature (SKr 2m/£203,000 approx) Wole Soyinka of Nigeria; the Booker Prize (£15,000) Kingsley Amis; The Old Devils (Hutchinson, £9.95); the Prix Goncourt (FFr 5,000) Michel Host Valet de Nuit (Editions Grasset, FFr 89); the Ritz Paris Hemingway Award (£50,000) Marguerite Duras; The Lover (Collins, £8.95).

Problem Kids and Fanagrams

Results and reports on the competitions by Anthony Curtis, Literary Editor

THESE ANNUAL Book Prize literary competitions stretch back for over a decade with some readers attempting an entry every year.

Dating with the same client whom he assessed as "deeply disturbed" E. B. W. is recommended. "gradual return to a normal existence. An interim step could be a week in the House of Commons as an onlooker" to avoid too sudden a change.

—A competitive game "Pooksticks" is played. E.B.'s disabilities ensure that he usually loses to E. E. York, a depressive, who is not an appropriate model for E.B.

engages her governess and has affairs. Secretive, skippy child, no longer trusts grown-ups but manipulates adults when it suits her.

Let us begin with Problem Kids. Your problem was to see the young heroines or heroes of the best loved classics through the eyes of a social worker making a report.

Of Clarissa Harlowe we were advised by R. Allen: "Client claims to be a rape victim" while of another old friend, Topsy Stuart writes: "Governor of Brixton jail reports concern over French girl terrorist awaiting trial. Keeps setting fire to her cell and demanding to talk to Saints Michael, Catherine and Margaret."

Extract from report on Peter Pan et al PAN TRUANT ring-leader Underground commune homeless boys, previously associated London deviant group. Constant companion Tinker Bell (lightweight approval-seeking personality).

AND NOW, as Lady Bracknell said, to minor matters—the Fanagrams. The model was Alan Bennett's coinage TOILETS for T. S. Eliot and the field was made to include any famous person alive or dead.

in the same vein we had Scobie, Mr E. Rochester, Winston Smith, Scrooge (several), King Lear ("Family relationships seem complicated and unamenable to therapy" Joan Dennis). Egan ("He lives in substandard privately rented accommodation which he shares with a number of juveniles, all of whom present challengingly anti-social behaviour."

For her own protection I suggest applying for a Care Order. She should also be referred to the pregnancy testing clinic. I understand the DPP is considering prosecution of the boyfriend on alternative charges of going through a form of marriage with a girl under 16 or unlawful sexual intercourse.

Similarly a great many people found a communist hidden inside Neil Kinnoch in the form of KICK LENIN? NO (A. J. Ryder) and I KNOCK LENIN (Charles Brooks, J. C. Hardwick and others). David Owen's frequency on the box suggested VIDEO DAWN to Mrs T. H. Ashworth, K. P. Hopkinson and others.

Harold Wilson drains less well as HOLLOW FRAIDS (Mrs H. C. Moon). Roy Hattersley went neatly into SLY THEATRE (Svd Norgate) or THE TORY SLAYER (Peter Long). Nigel Lawson became WINE, GALLONS (Charles Brooks), or NOW A SELLING (Mrs J. Kelly).

Brilliant as some of these were, they never seriously outshone the juvenile leads which ranged through classical myth, Wagnerian opera, the Victorian and modern novel, and the whole of children's fiction. Alice were thick on the ground. Patrick Rickards got off to a good start.

Miss S's paragon is unclear pending further investigation, for a number of years she has lived in an isolated cottage with seven dwarf, bachelor, miners under an informal fostering arrangement that appears increasingly inappropriate considering her rapid approach towards puberty.

But in what sense can Edwina Currie be thought of as an ARID WINE CURE (Miss J. Maynard)? And who could the relevance of PERSONAL VIADUCT be, I asked myself, to Lucia Vao Der Post? And though I have often met Colin Amery I would hardly describe him as a CREAMY LION (Mrs T. H. Ashworth).

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CRIME

TREASURE IN ROUBLES by David Williams, Macmillan, £8.50, 197 pages

THE SOUND OF MURDER by Margaret Hinxman, Collins, £8.95, 180 pages

UNDER CONTRACT by Liza Cody, Collins, £8.95, 206 pages

DAVID WILLIAMS' banker-protagonist cultivates a profound, informed interest in architecture (which is clearly a hobby also of the author's); and no doubt this is what leads him to fall in with his wife's plan for a package tour to Leningrad.

assembles a quirky, varied cast of tourists and Russians, and devises a persuasive plot. As usual, the writer salts his tale with humour; but, also as usual, you leave the book with the sensation of having read more than just another thriller.

THE EBULLIENT Penny Romanae was always a joy to be with, but this time she outstays her welcome slightly. This latest adventure—involving an Italian archaeological dig (and the predictable number of mispelt Italian words)—is less fun than usual, and a good deal less concise.

MR SPLITFOOT by Helen McCloy, Constable, £8.95, 211 pages

IN its admirable series of crime story reprints, Constable now brings again to the reader's attention this 1969 novel of Helen McCloy, a writer of unerring skill and art style. Though the book is very much of its period, it has not dated.

DEATH AND A MADONNA by Joan O'Hagan, Macmillan, £8.50, 190 pages

THE AUTHOR has lived in Italy and clearly knows the country well; the best things about this book, in fact, are the descriptions of Rome and

of the wild countryside to the east of the city. There are some convincing characters in the story, but there are too many walk-ons, and at times the reader is confused. The plot, too, is somewhat over-complicated. Still, the intelligence of the writing draws you on. Lovers of Italian literature will be pleased to find cops named after eminent authors: Dante, Morante, and Gadda.

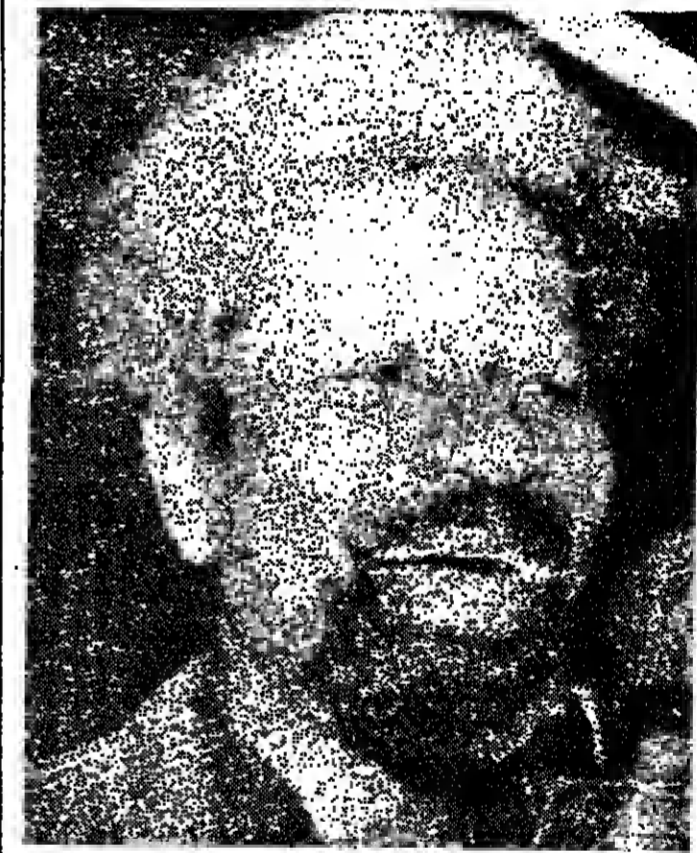
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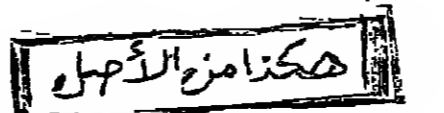


Wole Soyinka: winner of this year's Nobel Prize for Literature

What happened when Titanic went down

THE TITANIC: THE FULL STORY OF A TRAGEDY by Michael Davie. The Bodley Head £12.95 244 pages

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Philip Coggan reviews a sporting year in which British patriotism took a beating

In memory of Maradona—and England

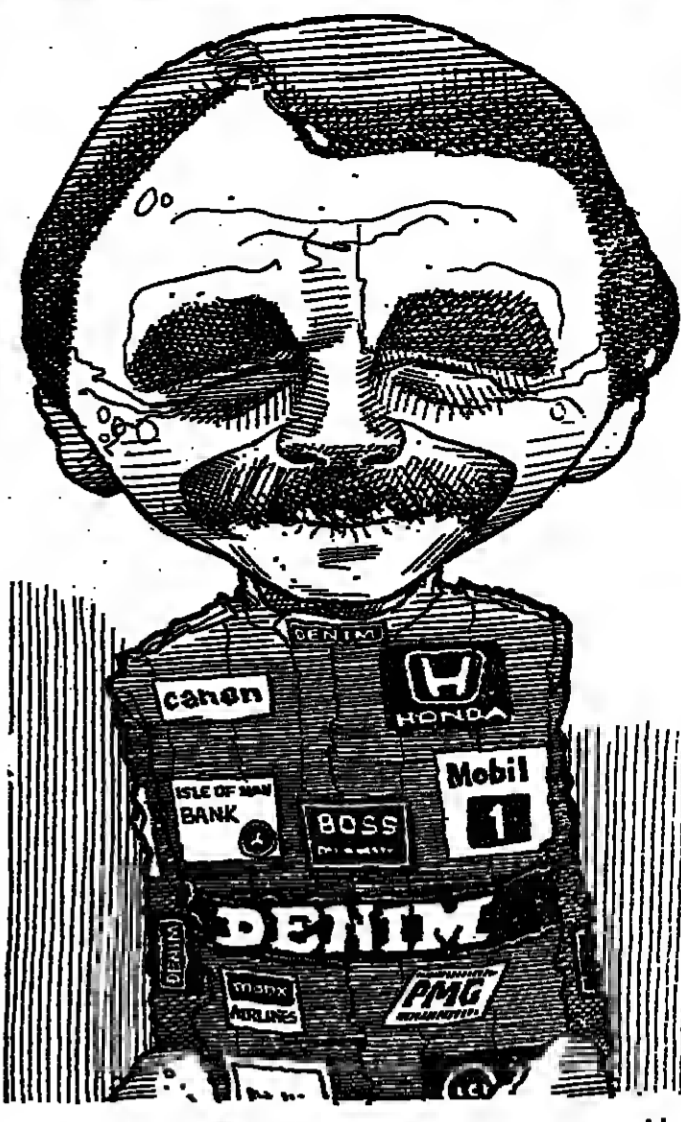
IN THE days of the British Empire...

all—for a re-run of the 1886 World Cup soccer quarter-final in Mexico and an alert referee...

defences. Nor, at first, did England, whose early teams seemed to have been picked by Bohdy Zombier...

with pace—and that his speed was best used by playing the ball in front of him...

best team won; though it would have been nice to see the Argentinians prove it against the Brazilians or Russians...



Nigel Mansell, narrowly pipped for this year's world motor racing championship

Continued from Page 1

Tegwilo afternoon

people from the country living in the town because of the drought then OK we might have something, but how can we identify such people?

to stop and sit it out. The flying sand-paper sometimes keeps up for days. Those lucky enough to have houses with windows shut them tight in spite of the heat and sit indoors.

send a consignment to make up the difference. Malik seems uninterested. He is impatient for me to finish what I have to say.

The game's most impressive playing achievement—Liverpool's League-F.A Cup double—could not escape the shadow of the Heysel tragedy...

Cram. It was an event in which British athletes cast aside the disappointments of the Commonwealth Games boycott...

F.T. CROSSWORD PUZZLE NO. 6,212

Crossword puzzle grid with clues and starting letters.

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by next Thursday...

SATURDAY

1 Indicates programme in black and white. BBC ONE: 6.30 am Family News...

TELEVISION AND RADIO

HTV WEST: 11.58 am HTV News. 5.05 pm News. TSN: 8.50 am Gus Nazaryan's Magic 9th Days...

SUNDAY

1 Indicates programme in black and white. BBC ONE: 6.55 am Play School. 9.15 Umbrella. 9.30 This is the Day...

SCOTTISH: 9.25 am Cartoon Time. 11.00 Human Football. 11.30 Buck Rogers. 1.15 pm Bullseye...

Schubert, Mozart. 9.00 News. 9.05 Your Concert Choice. Dvokak (mono), Poulenc, Brittan, Ernst. Falck. 10.30 Musical Weekly...

